



MAXINE GOODMAN LEVIN
COLLEGE OF URBAN AFFAIRS

Cleveland State University

Prepared for:
City of Bedford, Ohio

Prepared by:
The Center for Public Management
Kevin O'Brien

September 2002

Analysis of the Financial Conditions of Bedford, Ohio



The Ohio Urban University Program

Cleveland State University
2121 Euclid Avenue Cleveland, Ohio 44115
<http://urban.csuohio.edu>

ANALYSIS OF THE FINANCIAL CONDITION OF BEDFORD, OHIO 1994 - 2001

TABLE OF CONTENTS

Description	Page
Preface	I
Executive Summary	III
Introduction	1
Revenue Indicators	5
Summary of Revenue Indicators	7
1. Revenues Per Capita	8
2. Restricted Revenues	10
3. Intergovernmental Revenues	12
4. Elastic Tax Revenues	14
5. Property Tax Revenues	16
6. Property Tax Collection	18
7. User Charges	20
8. Revenue Shortfall/Surplus	22
Expenditure Indicators	25
Summary of Expenditure Indicators	27
9. Expenditures Per Capita	28
10. Municipal Employees Per 1000 Population	30
11. Fixed Costs	32
12. Pension Costs	34
Operating Position Indicators	37
Summary of Operating Position Indicators	39
13. Operating Deficit/Surplus	40
14. Enterprise Operating Results	42
15. Fund Balance	44

Description	Page
16. Liquidity	46
Debt Indicators	49
Summary of Debt Indicators	51
17. Current Liabilities	52
18. Debt Burden	54
19. Debt Service	56
20. Overlapping Debt	58
Capital Plant Indictors	61
Summary of Capital Plant Indicators	63
21. Capital Outlay	64
22. Maintenance Effort	66
Community Resource Indictors	69
Summary of Community Indicators	71
23. Population	72
24. Change in Assessed Value	74
25. Residential Development	76
26. Business Activity	78
27. Income Tax Per Capita	80
28. Debt Per Capita	82

PREFACE

The following report was prepared by the Center for Public Management (PM) of the Maxine Goodman Levin College of Urban Affairs at Cleveland State University for the City of Bedford, Ohio. The report constitutes the ninth in a series of annual evaluations of the financial condition of the City of Bedford. The report examines the City's financial condition from 1994 through 2001.

The report utilizes a model that combines financial indicators from the International City Management Association workbook, Evaluating Financial Condition: A Handbook for Local Government, the municipal credit industry, and from proprietary data bases of the PMP. Some of the indicators have been modified slightly to best account for local circumstances. In addition, the performance of many indicators has been contrasted to industry standards or operating medians defined from jurisdictions within the State of Ohio.

The project team would like to thank Frank Gambosi, CPA, Finance Director of the City of Bedford for supporting this project and providing insight into the financial statements of the City. We hope that the administration and citizens of Bedford find the report useful.

Kevin E. O'Brien
Director
Center for Public Management
Maxine Goodman Levin College of Urban Affairs
Cleveland State University

September 2002

EXECUTIVE SUMMARY

The City of Bedford is in sound financial condition, as demonstrated by the twenty-eight fiscal, economic, and demographic indicators of this analysis. The City's financial performance as well as their economic position in the greater Cleveland area highlights the stability of the local government.

The performance of revenue, expenditure, operating position, and debt indicators, emphasizes the positive administration of Bedford's financial position. Bedford's significant growth in the primary revenue indicators (fueled by a diverse revenue base), contained growth in expenditure indicators, strong operating position, and modest debt levels characterize the operation of the City. The following are highlights of the analysis:

- **Revenues and Expenditures:** Revenue indicators have exhibited positive trends, fueled by growth in revenues per capita, expanding by 24.5 percent over the period, elastic tax revenues grew 18 percent (and provide over half of the City's revenues), and property tax revenues grew nearly 40 percent. Restricted revenues remain within the range of the industry standard. Expenditure indicators have been positive, with "contained" growth in expenditures per capita (at 2.7 percent per year over the period), fixed costs have declined, and pension liability remains stable.
- **Operating Position:** The City's operating position is very strong. Operating surpluses are the norm, with each of the eight-years of the analysis above 30 percent of net operating revenues. Enterprise funds running collectively in the "black" for five of the eight-years. The City continues to maintain a very strong unreserved fund balance and has met or exceeded the standard for liquidity throughout the study.
- **Debt Position:** The debt position of Bedford remains quite favorable. Moderately high current liabilities are mitigated by low to moderate levels of long-term debt, overlapping debt and debt service.
- **Capital Plant:** Capital outlays increased 102.3 percent since 1995 and the maintenance effort remained relatively stable.

-
- **Community Resource Indicators:** Bedford's social and economic indicators are positive, with a stable population, and increasing assessed valuation (by over 23 percent) and strong residential and commercial development activity.

INTRODUCTION

The Financial Trend Monitoring System (FTMS) is an approach to monitoring the financial condition of a city through the use of financial indicators. In this report, we are using the FTMS to analyze the financial conditions of the City of Bedford. The FTMS indicators are organized around the framework illustrated in Figure #1 on the next page.

The FTMS was developed by the International City Management Association (ICMA) to provide local officials of small- to medium- sized municipalities with a method of monitoring their government's financial condition. FTMS identifies and organizes factors that affect the financial condition of a city so that they can be measured and analyzed. FTMS analysis is done with data taken from local government's financial records and from U.S. Census Bureau documents.

The purpose of a trend monitoring system is to help a city like Bedford:

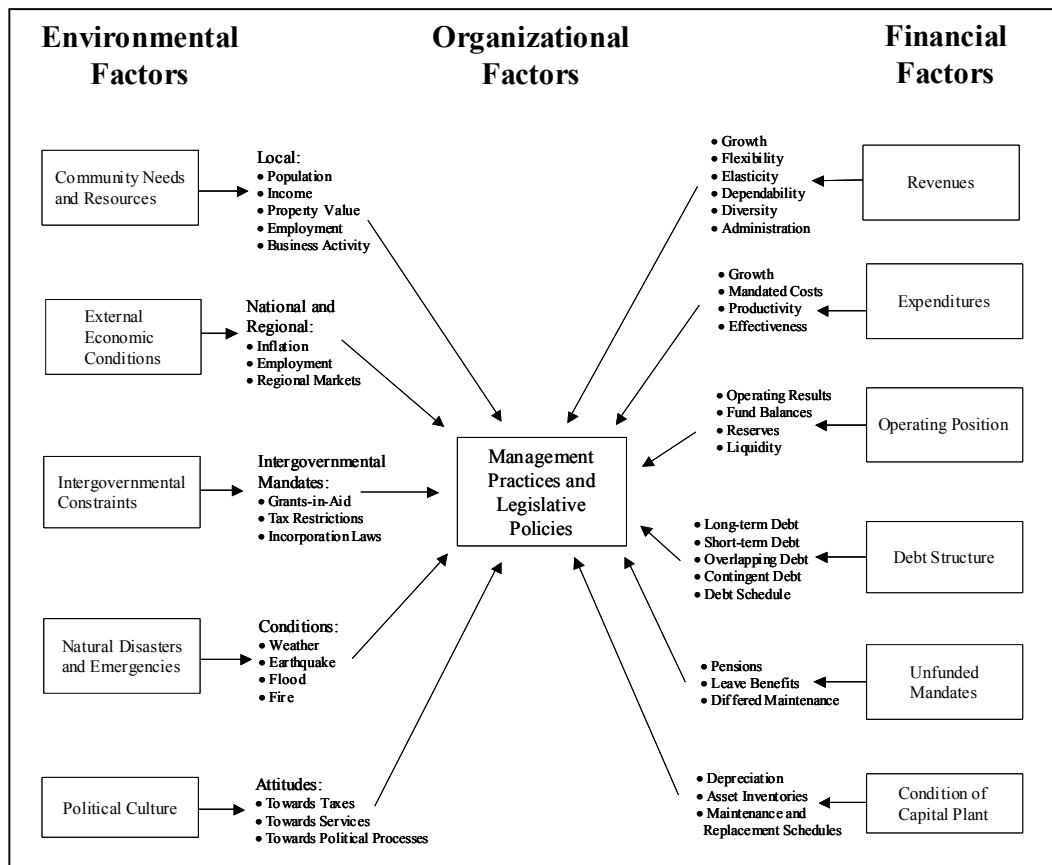
1. Analyze and understand the many factors that affect the city's financial condition and present them in a straightforward manner;
2. Develop and use quantifiable indicators to;
 - a) Gain a better understanding of the city's financial condition.
 - b) Identify existing and emerging problematic trends before they reach serious proportions.
 - c) Present a straightforward picture of the city's financial strengths and weaknesses.
3. Combine a significant amount of financial and non-financial data into an analysis of financial condition, and;
4. Place the events of each single year into a long-term perspective, thus permitting the city to follow changes over time.

The Indicators

Our set of indicators, as developed by the ICMA, were chosen because they had the most practical application for examining Bedford financial condition. They were selected from the pool of indicators that the FTMS recommends because of their association with cities that have experienced varying degrees of financial difficulties. However, some of our indicators have been adjusted (changed) due to lack of certain data in the financial reports of the City of Bedford or their lack of application to Bedford. Additionally, certain indicators have been adjusted for the effects of inflation through the use of the consumer price index (CPI).

The indicators are grouped into seven categories: revenues, expenditures, operating position, debt funding, unfunded liabilities, condition of the capital plant, and community needs and resources. For most of the indicators, the City of Bedford has made data available for eight years, beginning with fiscal year 1994. This period should provide an adequate time perspective to track any developing trends, and provide a database to build upon in the future years.

Figure 1:
Factors Affecting Financial Condition



Source: Sanford M. Groves and Maureen Godsey Valente, Evaluating Financial Condition: A Handbook for Local Government (2nd ed., Washington, D.C.: International City Management Association, 1986), p. 4.

It is difficult to say which of the indicators are most important in the analysis of the financial condition of a city. Some of the general indicators, such as revenues and expenditures per capita, are especially important because of the broad range of issues they cover. Other indicators, such as user charges, are more specific, but should not be overlooked due to their ultimate influence on the City's budget.

The final analysis of a city's financial position should be based on the general indicators and the relationship to some of the more specific indicators. For example, per capita revenue is an important general indicator which should not be over emphasized at the expense of the more specific "user charges" indicator.

Evaluation and Analysis

The primary tool for evaluating the FTMS indicators is trend analysis -- examining each indicator in a multi-year perspective of at least five years if this is possible. Trend analysis allows a city to determine where an indicator is headed and how fast it is changing. This method permits a comparison of one indicator's trend to that of another. When data is available, trend analysis enables a comparison to be made of a city's financial trends with those of other cities and also with regional economic trends. Moreover, trend analysis provides a database that can be used for making projections necessary for effective budgeting, facility planning, and general policymaking. In addition, it demonstrates to bond rating firms that the city is in control of its finances. The city may be able to show that it deserves a better bond rating than the bond rating firms have given it.

Each trend worksheet contains a section entitled "warning trend." If an indicator is moving in the direction of warning trend, it should be considered potentially unfavorable. However, the general rule of thumb is that **no single indicator or trend implies a good or bad financial condition**. Furthermore, no single unfavorable trend should be considered a major threat unless it remains unfavorable for at least three years.

If an unfavorable trend is evident for three or more years, it should be examined carefully and considered a potential issue. It must be judged, however, in the light of general knowledge of the city, the severity of the problem, and any mitigating circumstances. For example, concern over a consistent rise in per capita expenditures could be mitigated by a similar growth in per capita revenues. However, if per capita revenue has stabilized, while per capita expenditures continue to increase, future budget problems will develop in the city.

The analysis section of each worksheet attempts to ascertain if the trend is actually unfavorable and to determine its cause(s) and significance. Examining each financial trend as part of a group of trends should lead to the correct conclusion. We may find, for example, that although one or more trends are moving in an unfavorable direction, overall the position of the city is favorable.

Our study does not provide the solution to the problem(s) that may face the City of Bedford, but it does provide a systematic approach for organizing and quantifying information that should be used in the future. Bedford's leadership should combine its general knowledge of the city and the results of this study in their evaluation of the financial condition of the City.

REVENUE INDICATORS

- 1) Revenues Per Capita
- 2) Restricted Revenues
- 3) Intergovernmental Revenues
- 4) Elastic Tax Revenues
- 5) Property Tax Revenues
- 6) Property Tax Collections
- 7) User Charges
- 8) Revenue Shortfall/Surplus

SUMMARY OF REVENUE INDICATORS

The City of Bedford continues to exhibit a strong revenue position. Over the eight-years of the analysis, revenue indicators have exhibited positive trends, with the primary indicators experiencing expansion while others have remained stable. Revenues per capita increased by 24.5 percent, fueled by growth in all funds. Elastic tax revenues, the city's income tax, grew steadily in nominal dollars, by 18 percent (providing over half of all City revenues) and user charges remained in a modest range. Property tax revenues have increased 39.6 percent over the period. Property tax collections, while stable, have performed at an average rate that is slightly below the standard.

Decreasing restricted operating revenues remain within the industry standard. Intergovernmental revenues, from federal and state sources, have remained stable, at a moderate level.

INDICATOR #1

Revenue Per Capita

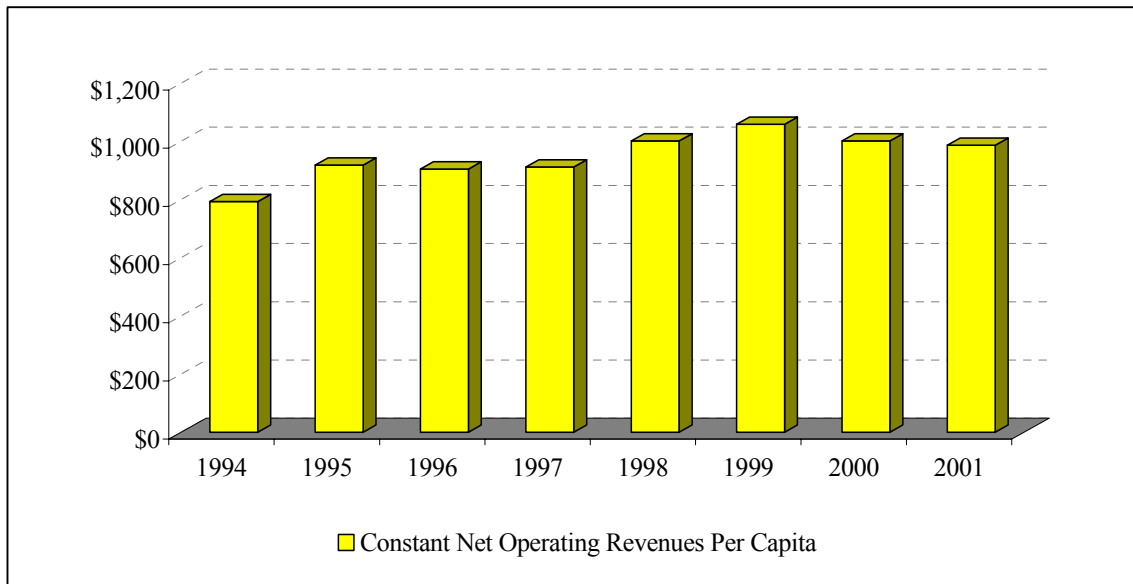
WARNING TREND: Decreasing net-operating revenues per capita in constant dollars.

FORMULA:
$$\frac{\text{Net Operating Revenue in Constant Dollars}}{\text{Population}}$$

DESCRIPTION: Examination of per capita revenue shows how revenues are changing relative to changes in the population level. Expenditures on services should change proportionately with population. Thus, the level of revenue per capita should stay at least constant. If per capita revenues were decreasing, the government may be unable to maintain existing service levels unless it finds new revenue sources or ways to save money. This reasoning assumes that the cost of services is directly related to population size.

ANALYSIS: Revenues per capita increased by 24.5 percent (or over 3 percent per year) in constant dollars over the 1994 to 2001 period. The increase was fueled by growth in all funds and a marginal decrease in the city's population.

REVENUE PER CAPITA



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Net Operating Revenue								
General Revenue	\$10,382	\$11,165	\$11,288	\$11,773	\$13,192	\$13,671	\$14,549	\$14,069
Special Revenue	\$825	\$2,028	\$2,047	\$1,846	\$1,891	\$2,079	\$1,733	\$1,937
Debt Service	\$104	\$155	\$175	\$144	\$121	\$165	\$130	\$325
Capital Projects	\$121	\$122	\$28	\$95	\$136	\$121	\$129	\$422
Total Net Operating Revenue	\$11,432	\$13,470	\$13,538	\$13,858	\$15,340	\$16,036	\$16,541	\$16,753
Consumer Price Index	100.0	102.8	105.8	108.3	110.0	112.4	116.2	119.5
Constant Net Operating Revenue	\$11,432	\$13,103	\$12,793	\$12,797	\$13,949	\$14,268	\$14,239	\$14,025
Population	14,410	14,261	14,138	14,034	13,930	13,478	14,214	14,214
Constant Net Operating Revenues Per Capita	\$793	\$919	\$905	\$912	\$1,001	\$1,059	\$1,002	\$987

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #2

Restricted Revenues

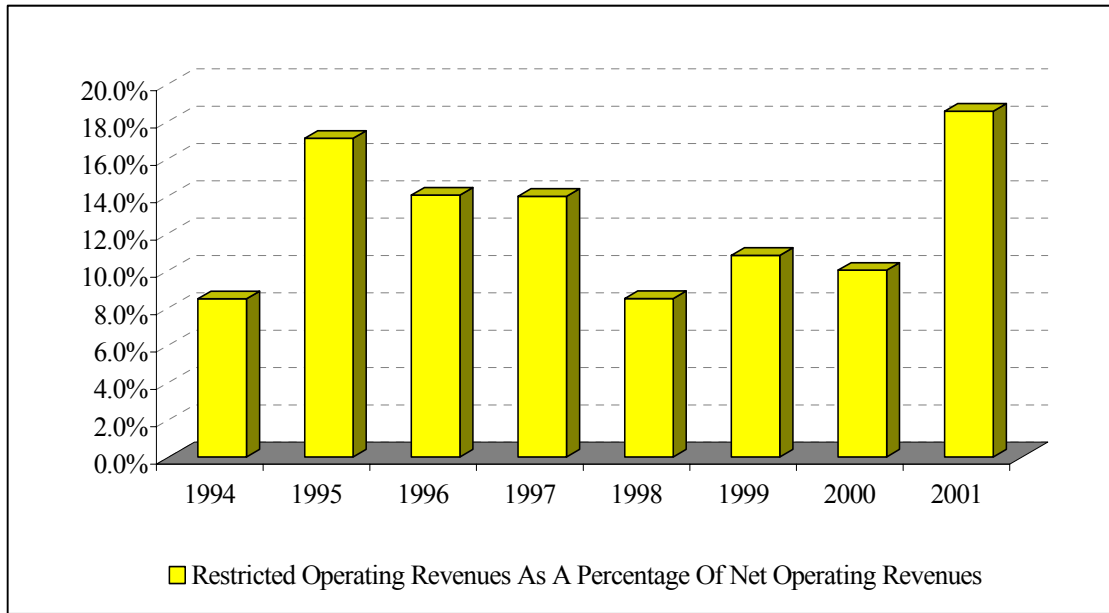
WARNING TREND: Increasing amount of restricted operating revenues as a percentage of net operating revenues.

FORMULA:
$$\frac{\text{Restricted Operating Revenues}}{\text{Net Operating Revenues}}$$

DESCRIPTION: Restricted revenues are those that are legally earmarked for a specific use. This may be required by state law, bond covenants, or grant requirements. For example many states require that the gas tax revenues be used only for construction or street maintenance. Governments do develop economic and political dependencies on these revenues and programs they support. Many governments finance their own essential services with intergovernmental revenues. This is the reason why governments accept the revenues and an inability to maintain adequate service levels.

ANALYSIS: Restricted operating revenues as a percentage of net operating revenues fluctuated on a downward path from 1995 to 2000, before closing at 18.5 percent. Restricted revenues declined 39 percent from 1995 to 2000, before increasing to an eight year high. The increase in restricted revenues was fueled by two Community Development Block Grants (CDBG), totaling \$184,000, for housing and streetscape improvements. While the 2001 level approaches the high end of the industry standard, the average of the eight-years, at 12.7 percent of net operating revenues, remains in a moderate range.

RESTRICTED REVENUES



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Net Operating Revenues	\$11,432	\$13,470	\$13,538	\$13,858	\$15,340	\$16,036	\$16,541	\$16,753
Restricted Operating Revenues	\$969	\$2,299	\$1,899	\$1,935	\$1,301	\$1,732	\$1,654	\$3,103
Restricted Operating Revenues As A Percentage Of Net Operating Revenues	8.5%	17.1%	14.0%	14.0%	8.5%	10.8%	10.0%	18.5%

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #3

Intergovernmental Revenues

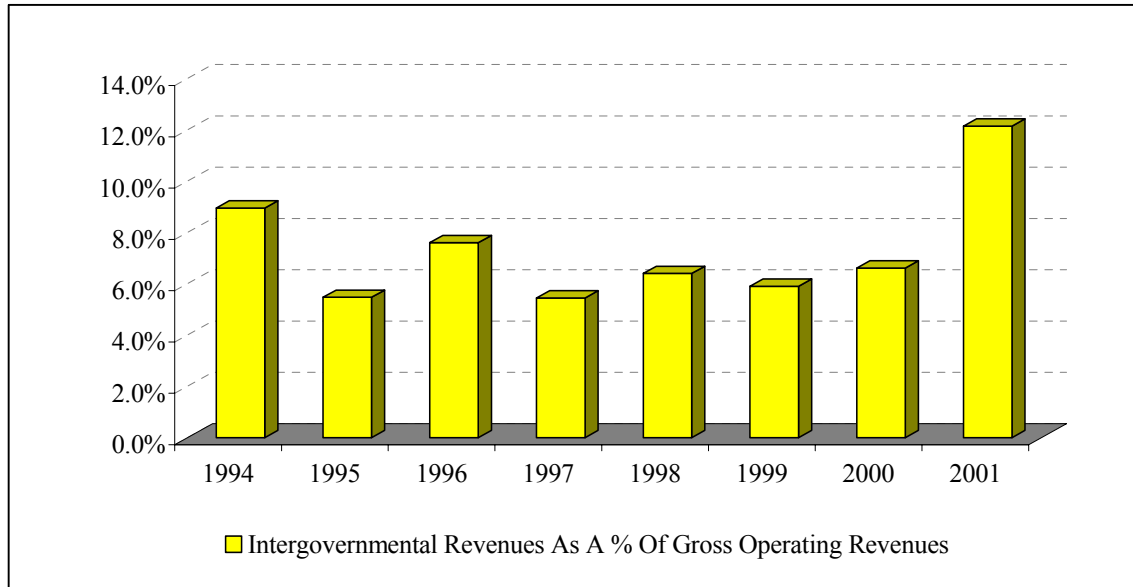
WARNING TREND: Increasing amount of intergovernmental operating revenues as a percentage of gross operating revenues.

FORMULA:
$$\frac{\text{Intergovernmental Operating Revenues}}{\text{Gross Operating Revenues}}$$

DESCRIPTION: Intergovernmental revenues are funds received from other governmental entities. It is helpful to examine these revenues because over dependence on them may be risky, given that the receiving government has little control over the supply of such funds. Also, the conditions attached to receipt of intergovernmental revenues may be difficult to comply with or prove costly to the local government. When using intergovernmental revenues, a local government may wish to lessen its risk by financing one-time capital project expenditures or services required by the state or federal government.

ANALYSIS: Intergovernmental revenue as a percentage of gross operating revenue has remained relatively constant over the period, before increasing to 12.1 percent at the closing. The modest average annual rate of 7.32 percent of gross operating revenues underscores the City's diverse revenue base and reliance on locally generated revenues.

INTERGOVERNMENTAL REVENUES



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Intergovernmental Operating Revenues	\$1,080	\$766	\$1,088	\$780	\$1,021	\$992	\$1,192	\$2,477
Gross Operating Revenues								
General Revenues	\$10,382	\$11,165	\$11,288	\$11,773	\$13,192	\$13,671	\$14,549	\$14,069
Special Revenues	\$1,200	\$2,421	\$2,586	\$2,276	\$2,198	\$2,526	\$2,420	\$2,703
Debt Service	\$104	\$155	\$175	\$144	\$121	\$165	\$130	\$325
Capital Projects	<u>\$374</u>	<u>\$248</u>	<u>\$260</u>	<u>\$118</u>	<u>\$429</u>	<u>\$434</u>	<u>\$911</u>	<u>\$3,292</u>
Total	\$12,060	\$13,989	\$14,309	\$14,311	\$15,940	\$16,796	\$18,010	\$20,389
Intergovernmental Revenues As A % Of Gross Operating Revenues	9.0%	5.5%	7.6%	5.5%	6.4%	5.9%	6.6%	12.1%

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #4

Elastic Tax Revenue

WARNING TREND: Decreasing amount of elastic operating revenues as a percentage of net operating revenues.

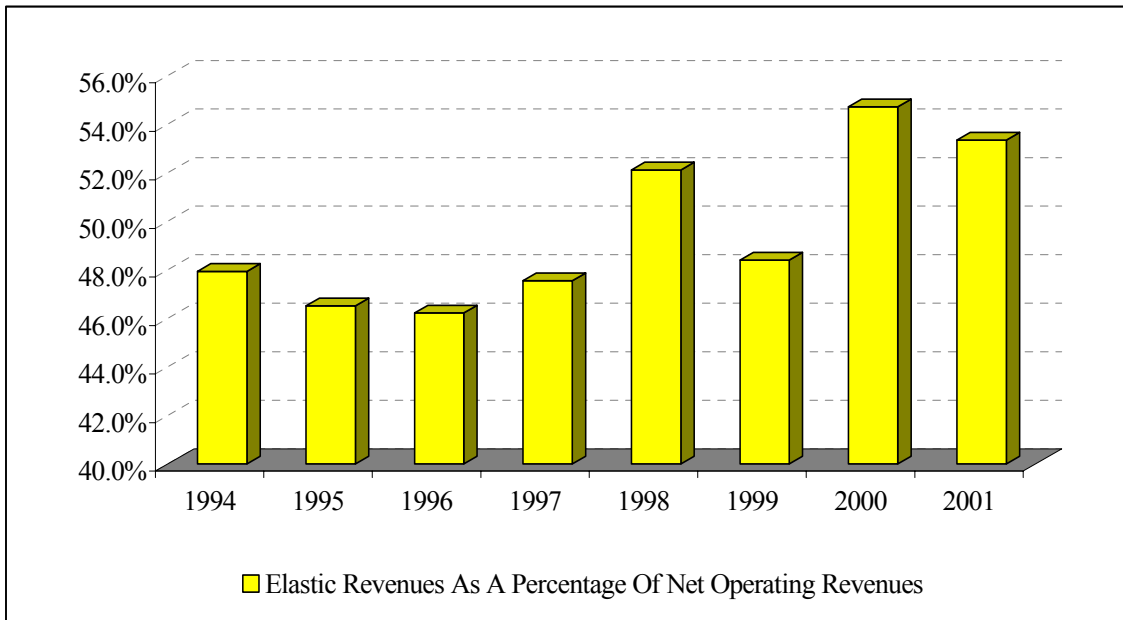
FORMULA:
$$\frac{\text{Elastic Operating Revenues}}{\text{Net Operating Revenues}}$$

DESCRIPTION: Elastic tax revenues are those revenues that are highly responsive to changes in the economic base and the effects of inflation. In the case of Bedford, only revenues from income taxes can be considered an elastic revenue source. Revenues from income taxes rapidly increase during good economic periods as more people are working and are earning more money. Alternatively, these revenues decline more quickly than an inelastic revenue source such as property taxes during economic downturns when unemployment rates grow or per capita incomes decline.

In obtaining revenues, a community must endeavor to maintain a balance between elastic and inelastic revenue sources. Elastic tax revenues increase with the growing economy and help the community keep pace with the higher prices it is paying for salaries, benefits, and goods and services. During economic downturns, inelastic tax revenues such as property taxes help to insulate the revenue stream coming to the local government, because the revenue amount received is slow to change rather than responding quickly to the change in the economy.

ANALYSIS: Elastic tax revenue (municipal income tax revenue) as a percentage of net operating revenue increased 11.3 percent over the time period, providing well over half of the net operating revenues of the city. Income tax revenues increased by over 63 percent, or 7.9 percent per year, throughout the period. The increase, from 47.9 percent to 53.3 percent of net operating revenue, was fueled by increased employment in Bedford.

ELASTIC TAX REVENUES



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Elastic Operating Revenue	\$5,479	\$6,265	\$6,256	\$6,588	\$7,993	\$7,760	\$9,049	\$8,936
Net Operating Revenue	\$11,432	\$13,470	\$13,538	\$13,858	\$15,340	\$16,036	\$16,541	\$16,753
Elastic Revenues As A Percentage Of Net Operating Revenues	47.9%	46.5%	46.2%	47.5%	52.1%	48.4%	54.7%	53.3%

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #5

Property Tax Revenues

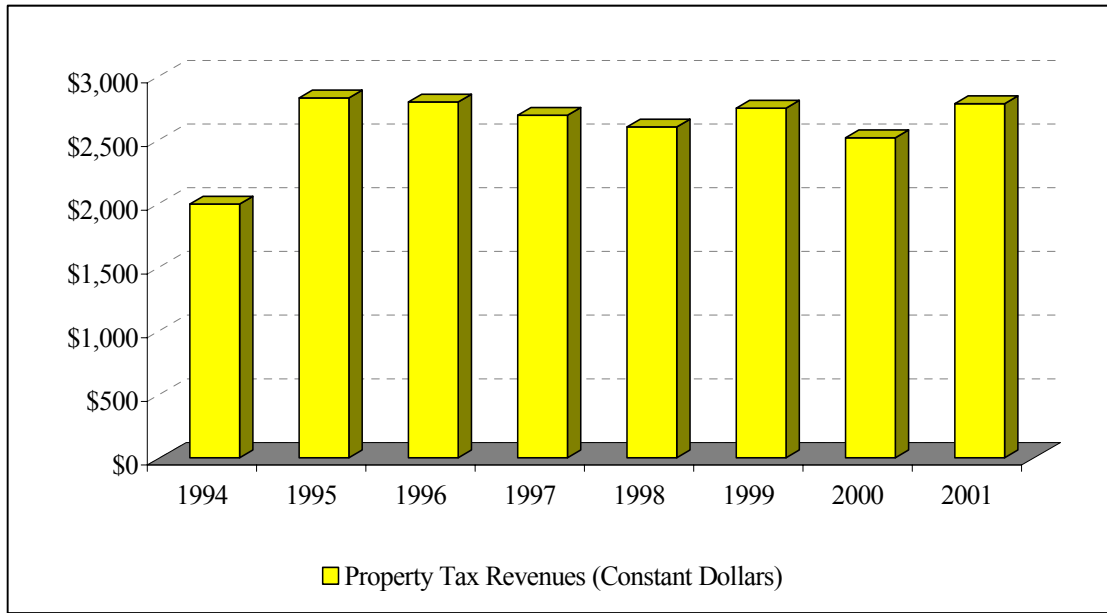
WARNING TREND: Decline in property tax revenue (constant dollars).

FORMULA: Property Tax Revenue in Constant Dollars

DESCRIPTION: Most local governments rely heavily upon property taxes as their most important revenue source. A decline or lower growth rate in property tax revenue may be the result of an overall decline in property values (due to aging buildings, local economic decline, or a decline in total number of households), unwilling default on property taxes, inefficient assessment or appraisal, or a deliberate default by those who believe delinquency penalties are less than short-term interest rates, and thus see nonpayment as a less expensive way to borrow money.

ANALYSIS: Property tax revenue in constant dollars increased 39.6 percent from 1994 – 2001, with an average annual increase of 4.95 percent. While Bedford experienced a modest decline in the constant property tax revenues, between 1995 and 2000, they experienced a strong closing year increase, of 13.8 percent, in (nominal) property tax revenues from 2000 to 2001.

PROPERTY TAX REVENUES



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
	<i>(dollars in thousands)</i>							
Property Tax Revenues	\$1,991	\$2,903	\$2,955	\$2,911	\$2,855	\$3,084	\$2,917	\$3,320
Consumer Price Index	100.00	102.80	105.82	108.29	109.97	112.39	116.17	119.45
Property Tax Revenues (Constant Dollars)	\$1,991	\$2,824	\$2,792	\$2,688	\$2,596	\$2,744	\$2,511	\$2,779

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #6

Property Tax Collection

WARNING TREND: An increasing amount of uncollected property taxes as a percent of net property tax levy.

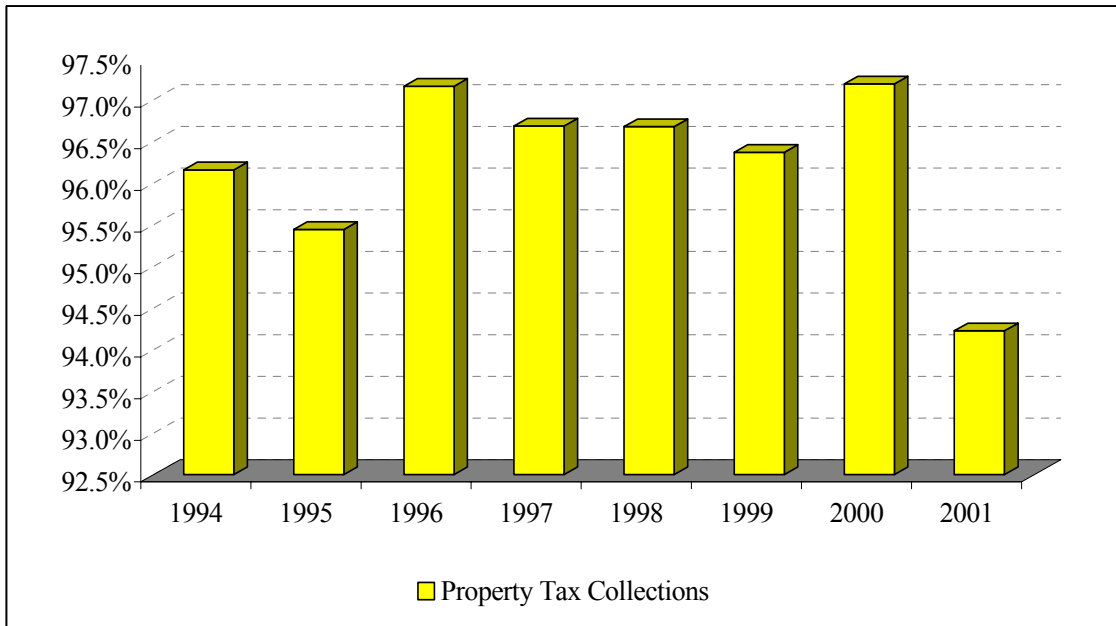
FORMULA:
$$\frac{\text{Uncollected Property Taxes}}{\text{Net Property Tax Levy}}$$

DESCRIPTION: For various reasons, each year a selected number of taxpayers do not pay their property taxes. If the number of taxpayers who do not pay their taxes increases for several years, city services supported by these taxes may suffer. An increase in the number of delinquent taxpayers may indicate a decline in the financial health of the city.

According to credit rating firms, the industry standard for property tax collections is above 97.5 percent of its property tax levy in a given year. Credit rating firms consider a city's inability to collect above five percent of the property taxes due each year as a warning sign. If the city relies heavily on the property tax for its revenues, an increase to five to eight percent in uncollected property taxes will weaken the stability of the city. The city will be restrained in its efforts to finance the activities that rely on the property tax.

ANALYSIS: Property tax collections have fluctuated throughout the period, in a range below the credit rating industry standard of (above) 97.5 percent. Annual property tax collections ranged from 94.2 percent to 97.2 percent (with an average of 96.25 percent) of the current levy. Two years of collections approached the industry standard. The responsibility for property tax collections lies with the county government, thus, limiting the role of the City in insuring adequate and timely property tax collections.

PROPERTY TAX COLLECTION



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Net Property Tax Levy	\$1,770	\$2,392	\$2,397	\$2,413	\$2,619	\$2,644	\$2,634	\$2,962
Uncollated Property Tax	\$68	\$109	\$68	\$80	\$87	\$96	\$74	\$171
Property Tax Collections	96.2%	95.4%	97.2%	96.7%	96.7%	96.4%	97.2%	94.2%

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #7

User Charges

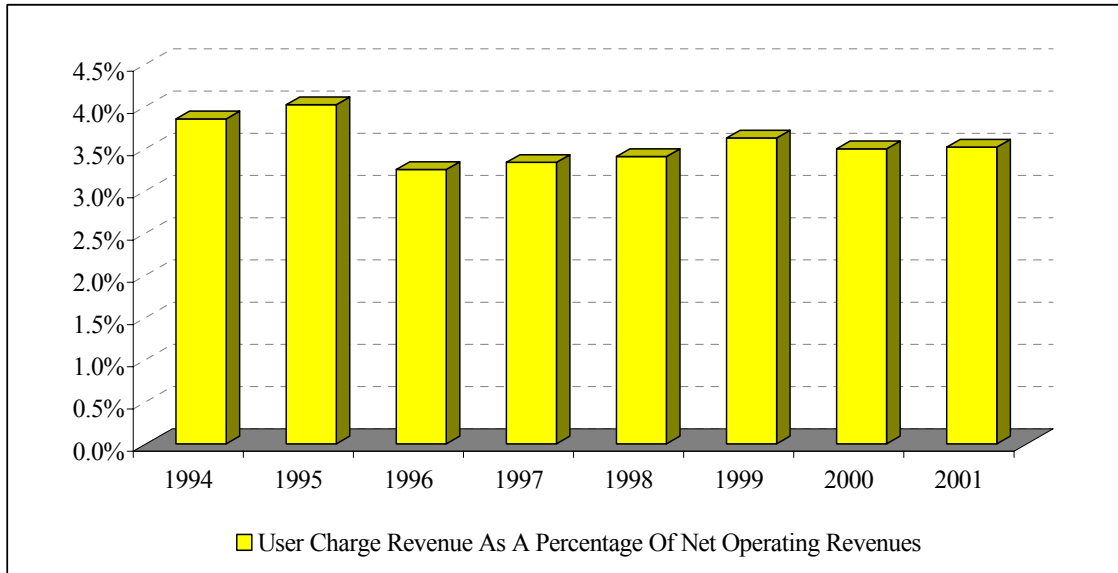
WARNING TREND: Decreasing revenues from user charges as a percentage of net operating revenue.

FORMULA:
$$\frac{\text{Revenue from Fees and User Charges}}{\text{Net Operating Revenue}}$$

DESCRIPTION: User charges are those fees and charges that cover the cost of providing a service. This indicator focuses on the general fund programs and not on enterprise services. If revenues from user charges decline, the burden on other revenues to support the services increases. Inflation and other factors tend to erode the revenues brought in by user charges, since typical municipal accounting systems do not employ cost accounting techniques.

ANALYSIS: User charge revenue as a percentage of net operating revenue has remained stable throughout the period, in a moderate range of 3.3 to 4 percent. User charge revenues in nominal dollars grew 33.1 percent and licenses and permits grew 36.8 percent.

USER CHARGES



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
User Charge Revenues:								
<i>Service Charges</i>	\$353	\$438	\$353	\$372	\$432	\$443	\$451	\$470
<i>Licences & Permits</i>	<u>\$87</u>	<u>\$103</u>	<u>\$87</u>	<u>\$90</u>	<u>\$90</u>	<u>\$138</u>	<u>\$127</u>	<u>\$119</u>
Total User Revenues	\$440	\$541	\$440	\$462	\$522	\$581	\$578	\$589
Net Operating Revenues	\$11,432	\$13,470	\$13,538	\$13,858	\$15,340	\$16,036	\$16,541	\$16,753
User Charge Revenue As A Percentage Of Net Operating Revenues	3.8%	4.0%	3.3%	3.3%	3.4%	3.6%	3.5%	3.5%

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #8

Revenue Shortfall / Surplus

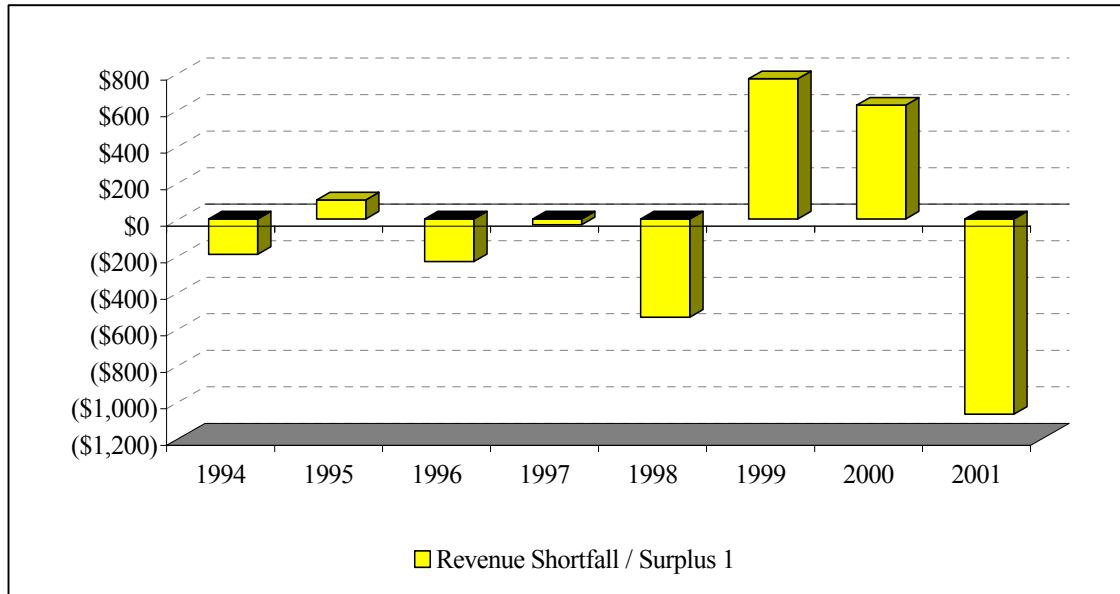
WARNING TREND: Increase in revenue shortfalls as a percentage of net operating revenues.

FORMULA:
$$\frac{\text{Revenue Shortfall/Surplus}}{\text{Net Operating Revenues}}$$

DESCRIPTION: Revenue shortfalls are defined here as the difference between budgeted revenues and actual revenues. Significant and continued differences may indicate a declining local economy, inefficient collection procedures, or inaccurate budget estimations. If revenue shortfalls are increasing or becoming more frequent, a detailed analysis should be undertaken to pinpoint the causes.

ANALYSIS: Bedford has experienced revenue surpluses, the difference between budgeted and actual revenues, in three of the eight-years examined. The deficit balances resulted from a revenue collection cycle for Special Revenue Fund grants that is not concurrent with the calendar year, where many of the grant revenues carry-over to the next fiscal year. The volume of the revenue deficit balances account for a small percentage of budgeted revenues, between .22 percent and less than 5.3 percent.

REVENUE SHORTFALL / SURPLUS



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
(dollars in thousands)								
Actual Gross Operating Revenue:								
General Fund	\$10,148	\$10,929	\$11,061	\$11,563	\$12,829	\$13,805	\$14,777	\$14,123
Special Revenue	\$1,232	\$1,996	\$2,183	\$2,185	\$2,135	\$2,265	\$2,523	\$2,622
Debt Service	\$361	\$254	\$260	\$118	\$377	\$487	\$664	\$2,979
Capital Projects	\$118	\$163	\$164	\$143	\$133	\$162	\$126	\$325
Total Actual	\$11,859	\$13,342	\$13,668	\$14,009	\$15,474	\$16,719	\$18,090	\$20,049
Budgeted Gross Operating Revenue:								
General Fund	\$10,184	\$10,615	\$11,169	\$11,533	\$12,846	\$12,829	\$13,924	\$14,314
Special Revenue	\$1,336	\$2,070	\$2,296	\$2,240	\$2,512	\$2,348	\$2,789	\$2,900
Debt Service	\$443	\$390	\$273	\$122	\$505	\$633	\$612	\$3,608
Capital Projects	\$89	\$162	\$163	\$145	\$148	\$141	\$141	\$296
Total Budgeted	\$12,052	\$13,237	\$13,901	\$14,040	\$16,011	\$15,951	\$17,466	\$21,118
Revenue Shortfall / Surplus ¹	(\$193)	\$105	(\$233)	(\$31)	(\$537)	\$768	\$624	(\$1,069)

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

EXPENDITURE INDICATORS

- 9) Expenditures Per Capita
- 10) Employees Per 1000 in Population
- 11) Fixed Costs
- 12) Pension Costs

SUMMARY OF EXPENDITURE INDICATORS

Bedford's expenditure position is positive. Contained growth of both expenditures and the city government workforce and declining fixed costs highlight the operation over the eight-years of the analysis.

Net operating expenditures per capita have increased at a modest pace of 2.7 percent per year over the eight-years of the analysis, well below that of net operating revenues. Declining fixed costs remained in a moderate range, while the City's pension cost per employee have remained relatively stable.

INDICATOR #9

Expenditures Per Capita

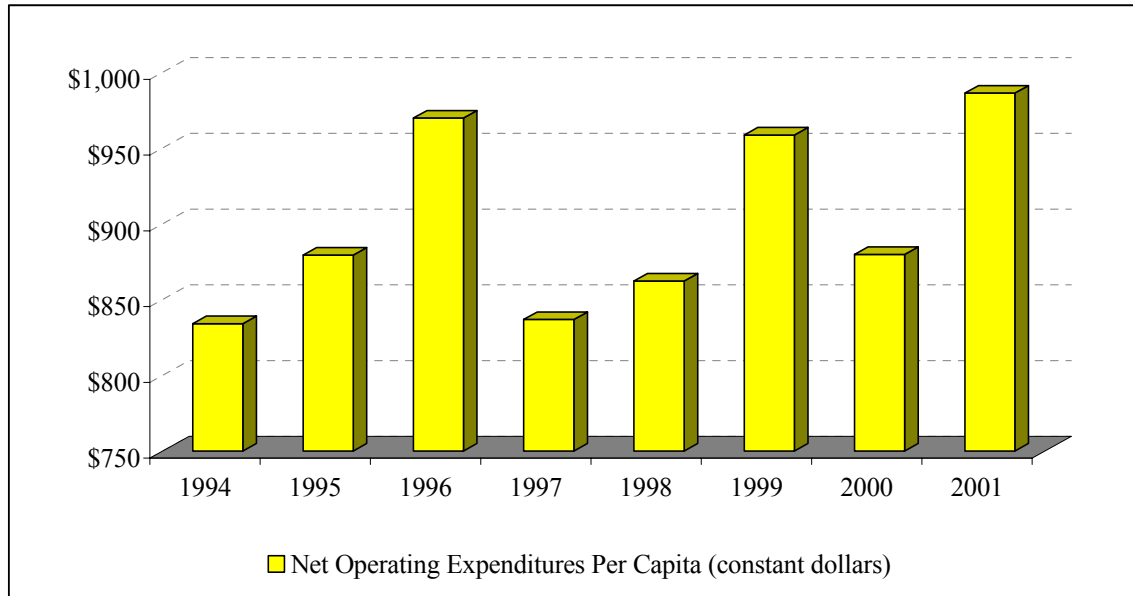
WARNING TREND: Increasing operating expenditures (constant dollars) per capita.

FORMULA:
$$\frac{\text{Net Operating Expenditures (constant dollars)}}{\text{Population}}$$

DESCRIPTION: Changes in per capita expenditures reflect variations in expenditures relative to changes in population. Increasing per capita expenditures may indicate that the cost of providing services to residents is increasing faster than a city's ability to pay. Furthermore, if these local per capita expenditures increase without explainable additions to city services, it may be indicative of a decline in productivity.

ANALYSIS: Expenditures per capita have increased at a modest pace throughout the period, by 18.23 percent (or 2.3 percent per year). Nominal Net Operating Expenditures grew 39.3 percent over the eight-year period. Growth in the general and special revenue funds along with a slight decrease in population fueled the increase.

EXPENDITURES PER CAPITA



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
(dollars in thousands)								
Net Operating Expenditures								
General Fund	\$7,626	\$6,476	\$7,055	\$7,066	\$7,651	\$7,795	\$8,557	\$8,787
Special Revenue	\$1,926	\$3,948	\$4,222	\$4,034	\$4,402	\$4,152	\$4,676	\$5,127
Debt Service	\$2,349	\$118	\$444	\$478	\$468	\$462	\$457	\$568
Capital Projects	<u>\$118</u>	<u>\$2,349</u>	<u>\$2,787</u>	<u>\$1,140</u>	<u>\$686</u>	<u>\$2,111</u>	<u>\$836</u>	<u>\$2,263</u>
Total Net Operating Expenditures	\$12,019	\$12,891	\$14,508	\$12,718	\$13,207	\$14,520	\$14,526	\$16,745
Consumer Price Index	100.00	102.80	105.82	108.29	109.97	112.39	116.17	119.45
Constant Net Operating Expenditures	\$12,019	\$12,540	\$13,710	\$11,744	\$12,010	\$12,919	\$12,504	\$14,018
Population	14,410	14,261	14,138	14,034	13,930	13,478	14,214	14,214
Net Operating Expenditures Per Capita (constant dollars)	\$834	\$879	\$970	\$837	\$862	\$959	\$880	\$986

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #10

Municipal Employees Per 1,000 Population

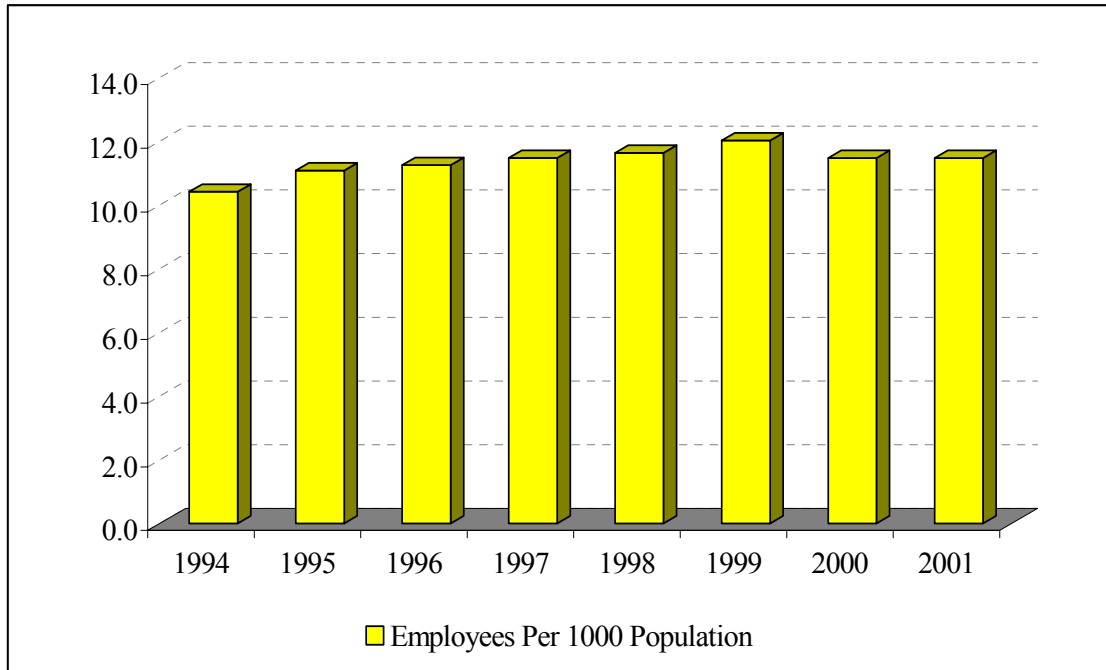
WARNING TREND: Increasing number of municipal employees per capita.

FORMULA:
$$\frac{\text{Number of Municipal Employees X 1000}}{\text{Population}}$$

DESCRIPTION: Since personnel costs are a major portion of a local government's operating budget, plotting changes in the number of employees per capita is a good way to measure changes in expenditures. Increases in employees per capita may indicate that a municipality's expenditures were rising faster than its revenues. It may also indicate that the government is becoming more labor intensive or that personnel productivity is declining.

ANALYSIS: The number of "full-time" (not FTE) municipal employees per capita has remained stable throughout the period. The rate fluctuated between 10.4 in 1994 and 11.5 employees per 1,000 in city population in 2001.

MUNICIPAL EMPLOYEES PER 1,000 POPULATION



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
Number Municipal Employees*	150	158	159	161	162	162	163	163
Population	14,410	14,261	14,138	14,034	13,930	13,478	14,214	14,214
Employees Per 1000 Population	10.4	11.1	11.2	11.5	11.6	12.0	11.5	11.5

*Full-Time Employees/Not FTE

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #11

Fixed Costs

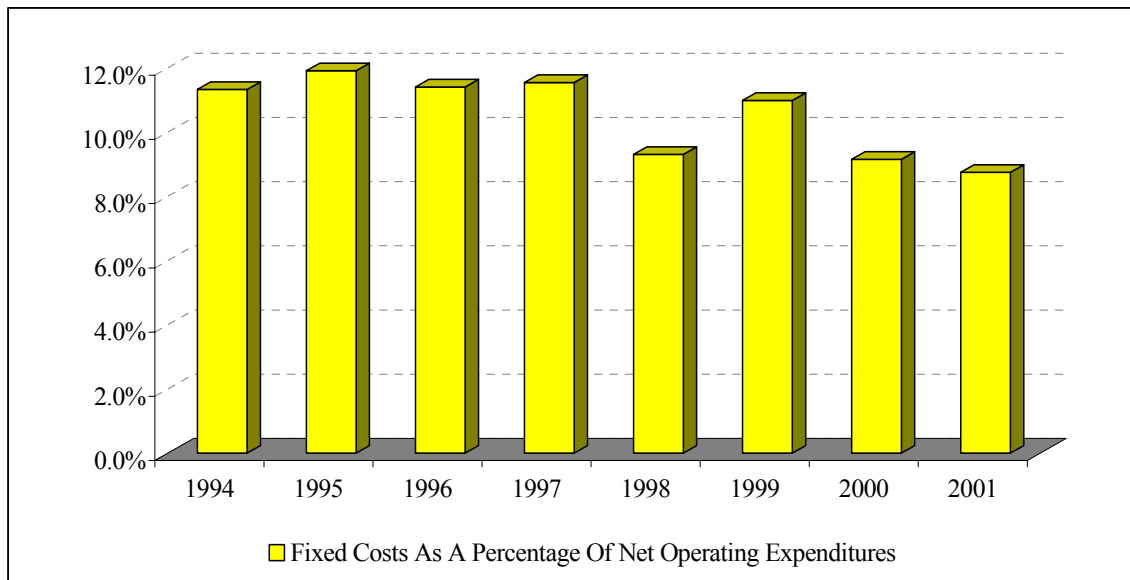
WARNING TREND: Increasing fixed costs as a percentage of net operating expenditures.

FORMULA:
$$\frac{\text{Fixed Costs}}{\text{Net Operating Expenditures}}$$

DESCRIPTION: Operating expenditures of every local government are made up, in part, of mandatory or fixed expenditures over which city officials have little short-term control. These include expenditures imposed by legal commitments (i.e. debt service and pension benefits) and those mandated by higher levels of government. High levels of fixed costs will limit the ability of local officials to make needed adjustments in their city's expenditure patterns in response to fluctuations in the revenue stream.

ANALYSIS: Fixed costs as a percentage of net operating expenditures have fluctuated on a downward path, declining 28.4 percent from 1994 to 2001. Fixed costs as a percentage of NOE remained within a moderate range, from a high of 11.9 percent in 1995 to a low of 8.8 percent in 2001.

FIXED COSTS



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Fixed Costs:								
<i>Debt Service: GO</i>	\$518	\$723	\$566	\$455	\$323	\$369	\$438	\$507
<i>PERS</i>	\$311	\$336	\$339	\$350	\$398	\$424	\$319	\$409
<i>PFDPF</i>	\$533	\$568	\$566	\$610	\$640	\$662	\$714	\$719
Total	\$1,362	\$1,627	\$1,471	\$1,415	\$1,361	\$1,455	\$1,471	\$1,635
Net Operating Expenditures	\$12,019	\$13,655	\$12,895	\$12,254	\$14,626	\$13,240	\$16,064	\$18,684
Fixed Costs As A Percentage Of Net Operating Expenditures	11.3%	11.9%	11.4%	11.5%	9.3%	11.0%	9.2%	8.8%

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #12

Pension Costs

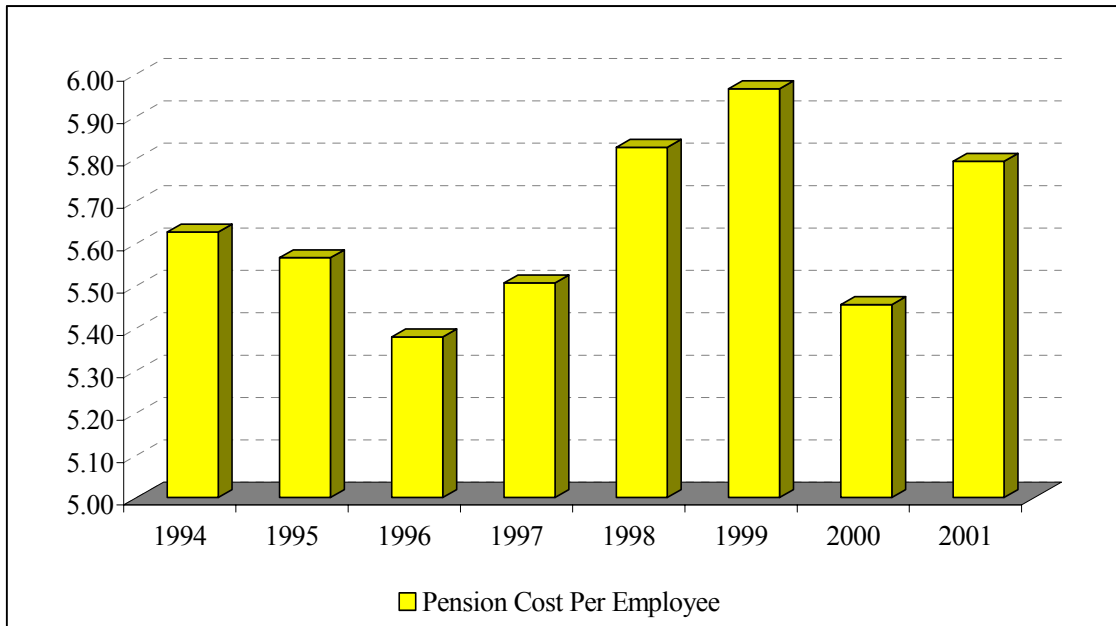
WARNING TREND: Increasing pension benefit expenditures per employee.

FORMULA:
$$\frac{\text{Pension Benefit Expenditures}}{\text{Number of Employees}}$$

DESCRIPTION: Pension benefits payments represent a significant share of municipal employee compensation packages and fixed costs. The funding and recording of pension benefit expenditures may escalate unnoticed, straining a government's finances. Pension benefits for the City of Bedford are comprised of two pension funds, the Public Employees retirement System (PERS) of Ohio, and the Police and Firemen's Disability and Pension Fund (PFDPF).

ANALYSIS: Pension cost per employee fluctuated within a small range throughout the period, from \$5.63 in 1994 to \$5.79 in 2001 increasing 2.8 percent over the time period. The pension cost per employee had a low of \$5.38 in 1996 and a high of \$5.96 in 1999. Constant total pension contribution increased 11.85 percent.

PENSION COSTS



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
City Pension Contributions								
PERS	\$311	\$336	\$339	\$350	\$398	\$424	\$319	\$409
P&FDPF	<u>\$533</u>	<u>\$568</u>	<u>\$566</u>	<u>\$610</u>	<u>\$640</u>	<u>\$662</u>	<u>\$714</u>	<u>\$719</u>
Total Pension Contributions	\$844	\$904	\$905	\$960	\$1,038	\$1,086	\$1,033	\$1,128
Consumer Price Index	100.0	102.8	105.8	108.3	110.0	112.4	116.2	119.5
Total Pension Contribution (constant \$)	\$844	\$879	\$855	\$887	\$944	\$966	\$889	\$944
Number Of Municipal Employees	150	158	159	161	162	162	163	163
Pension Cost Per Employee	5.63	5.57	5.38	5.51	5.83	5.96	5.46	5.79

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

OPERATING POSITION INDICATORS

- 13) Operating Deficit / Surplus
- 14) Enterprise Losses / Profits
- 15) Fund Balances
- 16) Liquidity

SUMMARY OF OPERATING POSITION INDICATORS

The City's operating position is very strong. Each indicator represents a positive influence on the overall financial condition. Operating surpluses are the norm, with each of the eight years above 30 percent of net operating revenues. Enterprise funds have run (collectively) in the black for five of the eight-years of the analysis. The (unreserved) fund balance has been maintained a healthy rate throughout the period. The City has maintained a high standard for liquidity throughout the study.

INDICATOR #13

Operating Deficit / Surplus

WARNING TREND: Increasing amount of operating deficits as a percent of net operating revenues.

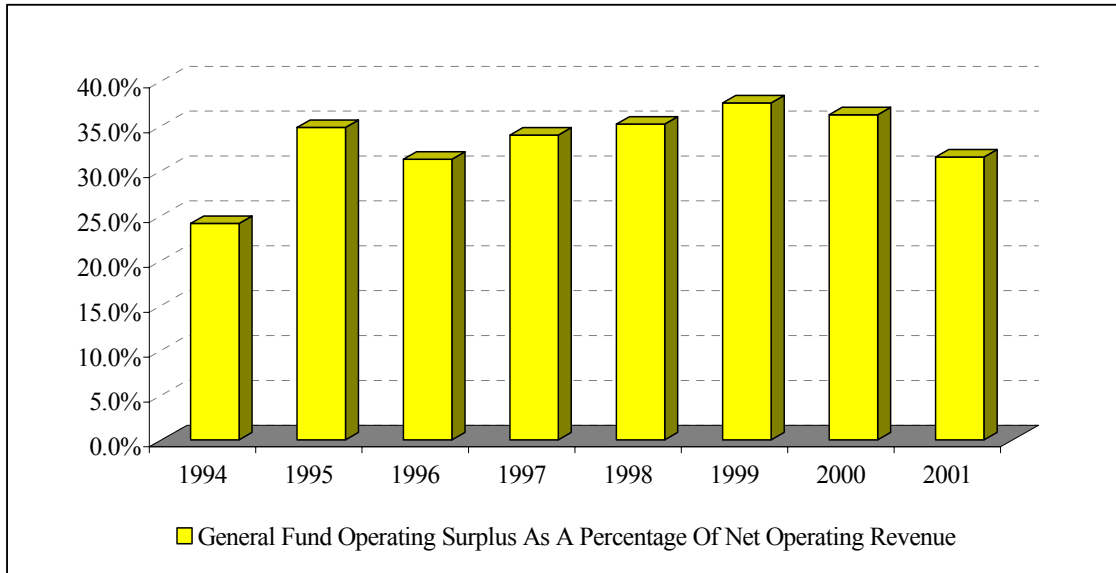
FORMULA:
$$\frac{\text{General Fund Operating Deficits / Surpluses}}{\text{Net Operating Revenues}}$$

DESCRIPTION: An operating deficit occurs when current expenditures exceed current revenues and signifies that the government is spending more than it is receiving. This may be caused by a local emergency which requires a large immediate expenditure. A second reason for an operating deficit may be due to a policy decision to draw down excessive fund surpluses. An operating deficit in any one-year may not be a major cause for concern, but frequent and increasing deficits may indicate that current revenues are not supporting current expenditures and that serious problems may be present.

Alternatively, an operating surplus exists when revenues exceed the level of expenditures. A surplus may be caused when the cost of providing services decreases without a corresponding reduction in revenue collections. An unanticipated revenue inflow may also account for a surplus.

ANALYSIS: The general fund has been operating at a surplus of growing proportion throughout the period. City surpluses were above 30 percent of net operating revenues in seven of the eight-years examined. The level of the operating surpluses has fluctuated between ranging from a low of 24.1 percent to a high of 37.5 percent, with an average rate of 33.1 percent.

OPERATING DEFICIT / SURPLUS



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
General Fund Operating Surplus	\$2,757	\$4,689	\$4,233	\$4,706	\$5,397	\$6,020	\$5,992	\$5,282
Net Operating Revenue	\$11,432	\$13,470	\$13,538	\$13,858	\$15,340	\$16,036	\$16,541	\$16,753
General Fund Operating Surplus As A Percentage Of Net Operating Revenue	24.1%	34.8%	31.3%	34.0%	35.2%	37.5%	36.2%	31.5%

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #14

Enterprise Operating Results

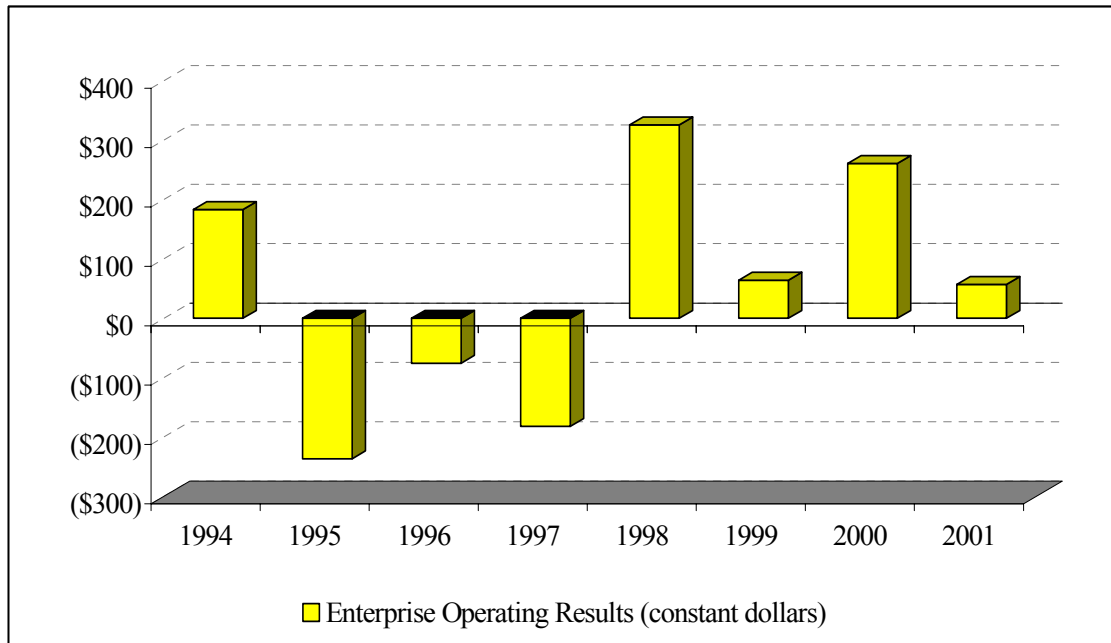
WARNING TREND: Recurring enterprise losses/deficits (constant dollars).

FORMULA: Enterprise profits or losses in constant dollars

DESCRIPTION: Enterprise funds account for government operations conducted in a manner similar to private business enterprises. The costs of providing goods or services to the public are thus financed or recovered primarily through service charges. Common enterprise fund programs are water and sewer utilities, swimming pools, airports and transit systems. Enterprises are typically subject to the laws of supply and demand, such that raising user fees may decrease revenues if users limit their use of the service as a result.

ANALYSIS: The City's enterprises have (collectively) operated in the "black" in five of the eight years examined, a positive indicator for the city. The enterprises experienced positive balances in the four final years of the analysis and the enterprises operating losses have tended to be proportionally small.

ENTERPRISE LOSSES / PROFITS



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Enterprise Operating Net Income (+/-)	\$183	(\$243)	(\$80)	(\$197)	\$358	\$72	\$303	\$68
Consumer Price Index	100.00	102.80	105.82	108.29	109.97	112.39	116.17	119.45
Enterprise Operating Results <i>(constant dollars)</i>	\$183	(\$236)	(\$76)	(\$182)	\$326	\$64	\$261	\$57

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #15

Fund Balances

WARNING TREND: Declining unreserved fund balance as a percentage of net operating revenues.

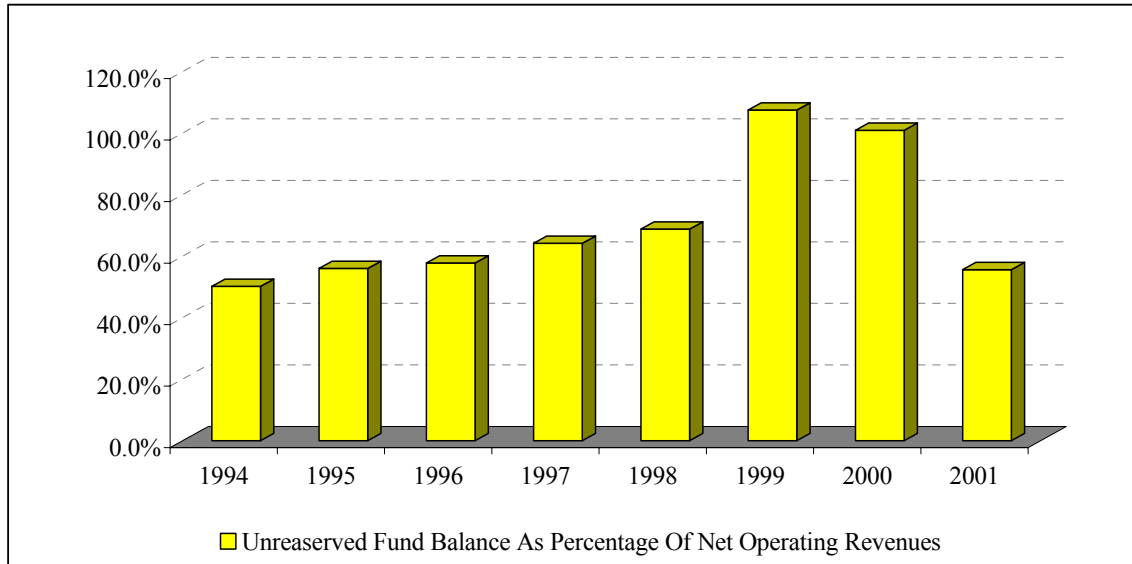
FORMULA:
$$\frac{\text{Unreserved Fund Balance}}{\text{Net Operating Revenues}}$$

DESCRIPTION: The size of a local government's fund balance can affect its ability to withstand financial emergencies. It can also affect its ability to accumulate funds for capital purchases without having to borrow. A contingency reserve fund provides for nonrecurring unanticipated expenditures, or to meet unexpected increases in service delivery costs. The reserve fund is normally maintained as a percentage of the general operating fund.

ANALYSIS: The City has maintained a very strong unreserved fund balance ranging from 50.2 percent to 107.4 percent of net operating revenues. All of the post-1993 fund balances include the proceeds of the December 28, 1993 sale of land to University Hospitals in the amount of \$3.85 million (as a GAAP receivable in 1993 and paid in 1994) and now amounts to \$4.55 million.

In addition, the City is carrying the construction funds in the Capital Projects fund balance. The city has pledged \$2.31 million of this amount to assist in financing the construction of the new City Hall.

FUND BALANCES



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Unreserved Fund Balances								
General Fund	\$5,569	\$6,326	\$6,346	\$7,261	\$8,938	\$10,025	\$10,329	\$8,803
Special Revenue Fund	\$602	\$934	\$1,335	\$1,342	\$1,188	\$1,715	\$1,886	\$2,234
Capital Projects	<u>(\$437)</u>	<u>\$281</u>	<u>\$141</u>	<u>\$286</u>	<u>\$429</u>	<u>\$5,489</u>	<u>\$4,474</u>	<u>(\$1,723)</u>
Total Balances	\$5,734	\$7,541	\$7,822	\$8,889	\$10,555	\$17,229	\$16,689	\$9,314
Net Operating Revenue	\$11,432	\$13,470	\$13,538	\$13,858	\$15,340	\$16,036	\$16,541	\$16,753
Unreserved Fund Balance As Percentage Of Net Operating Revenues	50.2%	56.0%	57.8%	64.1%	68.8%	107.4%	100.9%	55.6%

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #16

Liquidity

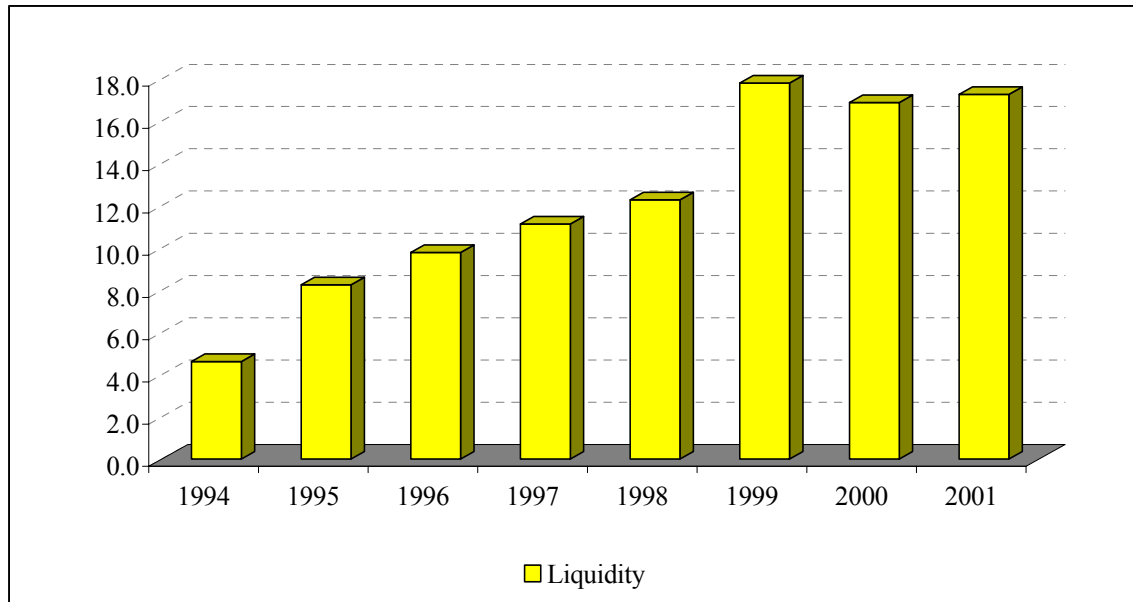
WARNING TREND: Decreasing amount of cash and short-term investments as a percentage of current liabilities.

FORMULA:
$$\frac{\text{Cash and Short-Term Investments}}{\text{Current Liabilities}}$$

DESCRIPTION: Liquidity, or cash position, is a measure of a local government's short-run internal financial condition. Cash position includes the cash on hand and in the bank, as well as other assets that can be quickly and easily converted to cash. This helps to determine the government's ability to pay its short-term obligations. Low or declining liquidity may indicate that a government has overextended itself in the long-run. A cash shortage is usually the initial sign of financial difficulty. The ratio of cash and short-term investments to current liabilities is a good measure of a municipality's liquidity. If this ratio is less than one (100%), the city might be facing liquidity problems. This is particularly true if the ratio is below one for more than three consecutive years.

ANALYSIS: Bedford displays very strong and increasing levels of liquidity, with ratios from 1.6:1 to 17.3:1. Bedford has performed well in each of the eight years of the analysis, exceeding the credit industry benchmark of cash and cash equivalents at least equaling 100 percent of current liabilities.

LIQUIDITY



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
(dollars in thousands)								
Equity in Pooled Cash And Equivalents	\$7,565	\$7,811	\$7,316	\$8,162	\$9,267	\$15,698	\$22,026	\$23,281
Receivables	\$4,268	\$6,385	\$6,349	\$6,357	\$7,034	\$6,501	\$7,023	\$7,902
Due from Other Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Due from Other Govts.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accrued Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$11,833	\$14,196	\$13,665	\$14,519	\$16,301	\$22,199	\$29,049	\$31,183
Current Liabilities								
General	\$1,087	\$949	\$857	\$816	\$856	\$777	\$897	\$957
Special Revenue	\$342	\$626	\$380	\$442	\$401	\$435	\$410	\$355
Debt Service	\$1,130	\$145	\$160	\$39	\$50	\$14	\$393	\$491
Capital Projects	\$0	\$0	\$0	\$7	\$21	\$21	\$21	\$3
Total Current Liabilities	\$2,559	\$1,720	\$1,397	\$1,304	\$1,328	\$1,247	\$1,721	\$1,806
Liquidity	4.6	8.3	9.8	11.1	12.3	17.8	16.9	17.3

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

DEBT INDICATORS

- 17) Current Liabilities
- 18) Long Term Debt
- 19) Debt Service
- 20) Overlapping Debt

SUMMARY OF DEBT INDICATORS

The debt position of Bedford is quite favorable. While current liabilities is higher than recommended, it is mitigated by the overall debt position. The City has maintained a low to moderate position on long-term debt, debt service, and overlapping debt, all significantly below the industry standards for the indicators.

INDICATOR #17

Current Liabilities

WARNING TREND: Increasing current liabilities at the end of the year as a percentage of net operating revenues.

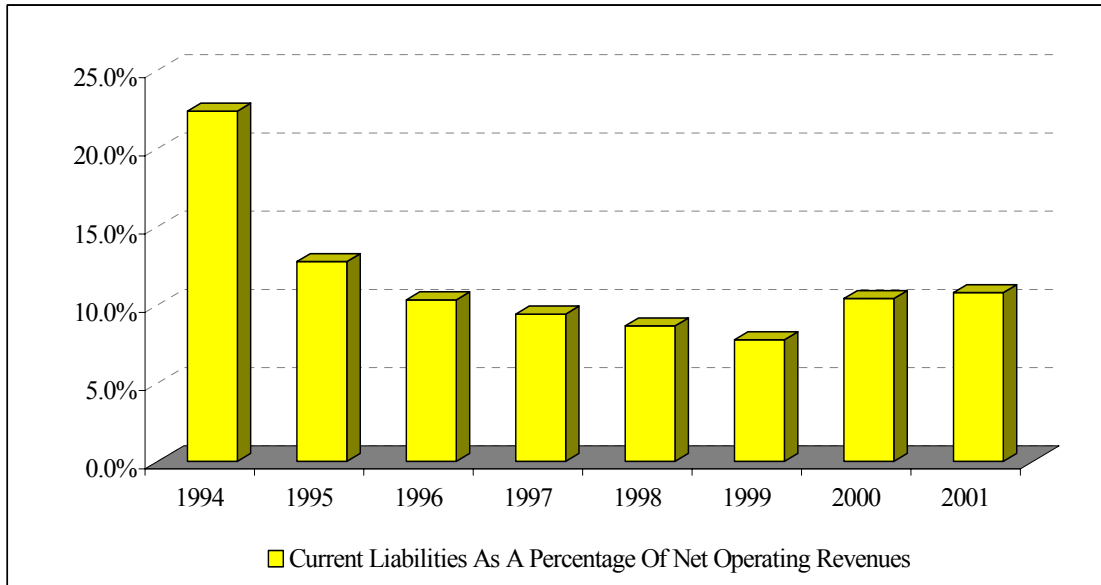
FORMULA:
$$\frac{\text{Current Liabilities}}{\text{Net Operating Revenues}}$$

DESCRIPTION: Current liabilities are defined as the sum of all liabilities due at the end of the fiscal year, including the current portion of long-term debt, short-term debt, accounts payable, accrued liabilities and other current liabilities.

Short-term debt may be a major component of current liabilities. Though such borrowing is an acceptable way to smooth out uneven cash flows, an increasing amount of short-term debt outstanding at the end of the successive years may be any indication of liquidity problems and/or deficit spending.

ANALYSIS: Current liabilities as a percentage of net operating revenues fluctuated in a downward trend throughout the period, declining from 22.4 percent to 10.8 percent of net operating revenues. This rate has been consistency above the credit industry benchmark of 5 percent. Payroll and fringe benefit accounts have lead to the increase in current liabilities. The continuing downward path of the trend appears to be a positive indication.

CURRENT LIABILITIES



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Current Liabilities	\$2,559	\$1,720	\$1,397	\$1,304	\$1,328	\$1,247	\$1,721	\$1,806
Net Operating Revenue	\$11,432	\$13,470	\$13,538	\$13,858	\$15,340	\$16,036	\$16,541	\$16,753
Current Liabilities As A Percentage Of Net Operating Revenues	22.4%	12.8%	10.3%	9.4%	8.7%	7.8%	10.4%	10.8%

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #18

Debt Burden

WARNING TREND: Increasing amount of long-term General Obligation debt as a percent of assessed valuation.

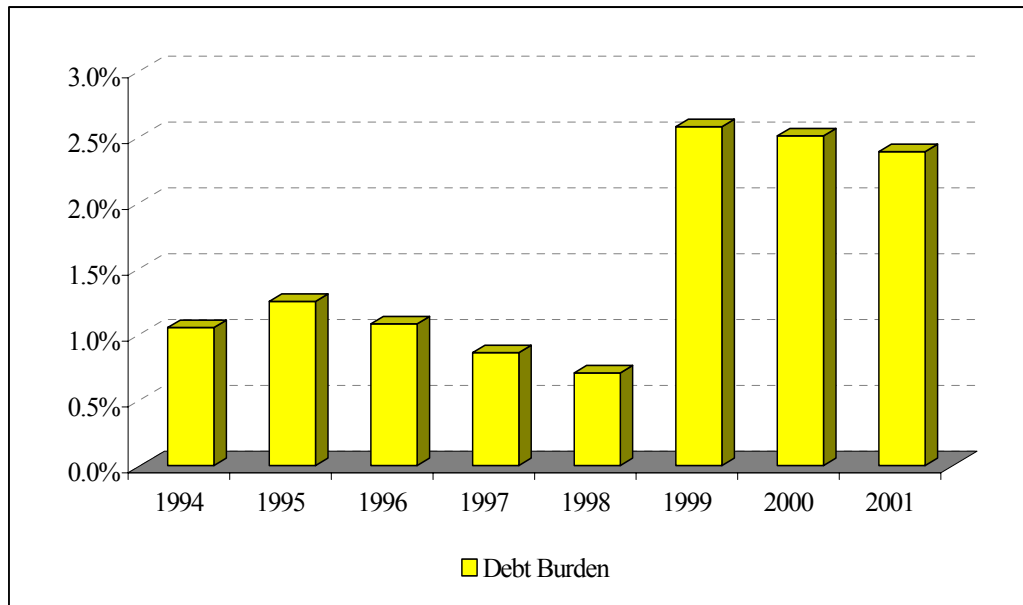
FORMULA:
$$\frac{\text{Long -Term Debt}}{\text{Assessed Valuation}}$$

DESCRIPTION: This indicator analyzes the general obligation long-term debt for which the city has pledged its full faith and credit taxing power. An increase in debt burden (long-term debt as a percentage of assessed valuation) may indicate that the city's ability to repay is diminishing.

The underlying concern is that long-term debt should not exceed the city's resources for paying the debt. If this should occur, the city may have difficulty obtaining additional capital funds, may have to pay a higher rate of interest, and may have difficulty in repaying existing debt.

ANALYSIS: Bedford's Debt Burden, long-term General Obligation debt as a percentage of assessed valuation, has been maintained at a low level. With a debt burden range of .7 percent to 2.6 percent, Bedford has managed a level of debt that is well below the credit industry benchmark of 5 to 10 percent. Bedford issued \$5 million in General Obligation Bonds to construct a new municipal center

DEBT BURDEN



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Net Direct Bonded Long Term Debt	\$2,335	\$2,777	\$2,445	\$2,097	\$1,740	\$6,368	\$6,894	\$6,566
Assessed Valuation	\$222,504	\$222,556	\$227,030	\$244,372	\$247,195	\$247,311	\$275,223	\$275,249
Debt Burden	1.0%	1.2%	1.1%	0.9%	0.7%	2.6%	2.5%	2.4%

INDICATOR #19

Debt Service

WARNING TREND: Increasing net direct debt service as a percentage of net operating revenues.

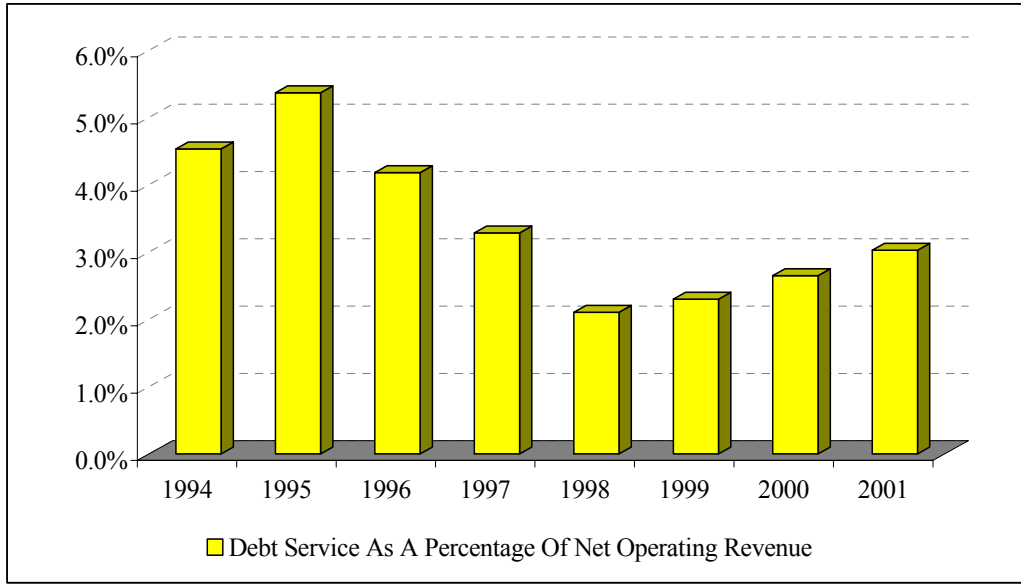
FORMULA:
$$\frac{\text{Net Direct Debt Service}}{\text{Net Operating Revenues}}$$

DESCRIPTION: Debt service is the amount of principle and interest that a local government must pay each year on net direct bonded long-term debt plus the interest it must pay on short-term debt. Increasing debt service reduces the expenditure flexibility by adding to government's obligations. Debt service can be a major part of a government's fixed costs. Increase in debt service may indicate too much debt and fiscal strain.

ANALYSIS: The City has maintained a low level of debt service as a percentage of net operating revenues. The nominal value of the debt service has remained relatively stable while net operating revenues have expanded 46.5 percent. Debt service as a percentage of net operating revenues remained in a range 2.1 percent to 5.4 percent. Debt service has been maintained at a level that is well below the credit industry warning mark of 20 percent.

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

DEBT SERVICE



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Net Direct Debt Service:								
Principal & Interest	\$518	\$723	\$566	\$455	\$323	\$369	\$438	\$507
Net Operating Revenue	\$11,432	\$13,470	\$13,538	\$13,858	\$15,340	\$16,036	\$16,541	\$16,753
Debt Service As A Percentage Of Net Operating Revenue	4.5%	5.4%	4.2%	3.3%	2.1%	2.3%	2.6%	3.0%

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #20

Overlapping Debt

WARNING TREND: Increasing long-term overlapping bonded debt as a percentage of assessed valuation.

FORMULA:
$$\frac{\text{Long-Term Overlapping Bonded Debt}}{\text{Assessed Valuation}}$$

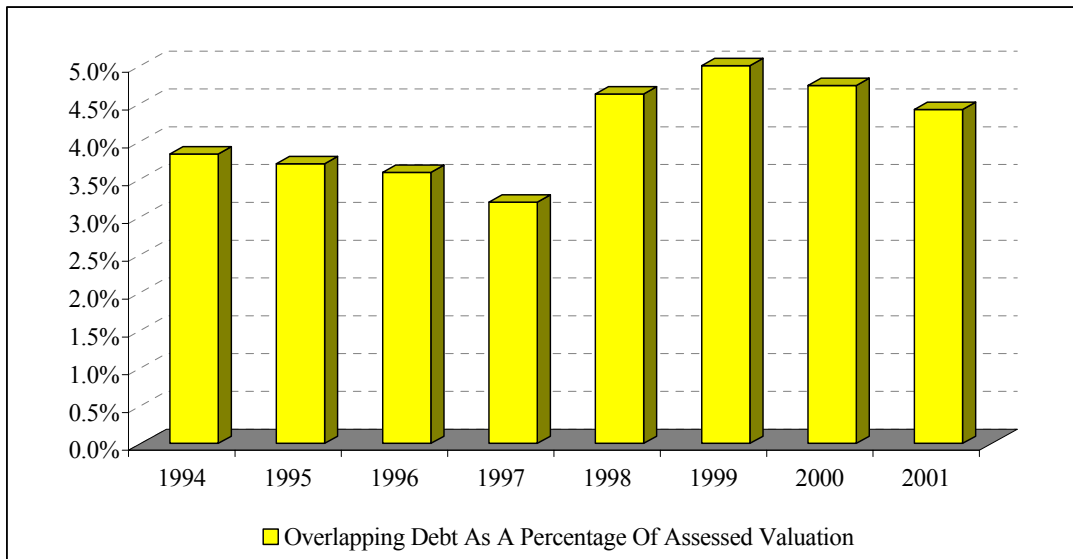
DESCRIPTION: Overlapping debt is the net direct bonded debt of other governmental jurisdictions issued against a tax base within part or all of the community's boundaries. Schools and sewer districts are examples of such jurisdictions. The level of overlapping debt is only the debt applicable to the property shared by the two jurisdictions.

This indicator measures the ability of the community's tax base to repay all of its debt obligations. If other jurisdictions default on common debt, the local government may have a contingent, moral or political obligation to assume the debt, provide services or both. Overlapping debt can be usefully measured in terms of assessed valuation or another tax base or repayment source.

Special-purpose debt is similar to overlapping debt. It is issued by another agency or governmental unit with the support of the local government. Support is pledged because the local government has an interest in the success of a project (e.g., a convention center). If the borrower cannot meet its obligation, the bondholders may go to the local government for payment, because it has guaranteed the loan and must pay in case of default. This form of debt is called a "contingent liability."

ANALYSIS: Bedford's overlapping debt as a percentage of assessed valuation has been maintained a moderate level throughout the period. Overlapping debt has fluctuated between 3.8 percent in 1994 and 4.4 percent in 2001, closing below the credit industry benchmark. Recent debt sales by Cuyahoga County, Bedford School District, and the City of Bedford fueled the increase.

OVERLAPPING DEBT



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Overlapping Debt:								
Cuyahoga County	\$1,098	\$1,218	\$1,722	\$1,063	\$1,494	\$1,354	\$2,218	\$2,057
RTA	\$229	\$420	\$761	\$1,055	\$999	\$978	\$941	\$1,177
Bedford School District	\$5,031	\$4,847	\$4,699	\$4,364	\$6,536	\$4,321	\$4,095	\$3,386
Bedford City	<u>\$2,158</u>	<u>\$1,749</u>	<u>\$956</u>	<u>\$1,315</u>	<u>\$2,395</u>	<u>\$5,705</u>	<u>\$5,775</u>	<u>\$5,535</u>
Total	\$8,516	\$8,234	\$8,138	\$7,797	\$11,424	\$12,358	\$13,029	\$12,155
Assessed Valuation	\$222,504	\$222,556	\$227,030	\$244,372	\$247,195	\$247,311	\$275,223	\$275,249
Overlapping Debt As A Percentage Of Assessed Valuation	3.8%	3.7%	3.6%	3.2%	4.6%	5.0%	4.7%	4.4%

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

CAPITAL PLANT INDICATORS

- 21) Capital Outlay
- 22) Maintenance Effort

SUMMARY OF CAPITAL PLANT INDICATORS

The City continues to increase its emphasis on capital items, which should have a positive effect in later years, as equipment and fixed assets are replaced. Capital outlays increased 102.3 percent since 1995. Maintenance effort fluctuated in a small range throughout the review.

INDICATOR #21

Capital Outlay

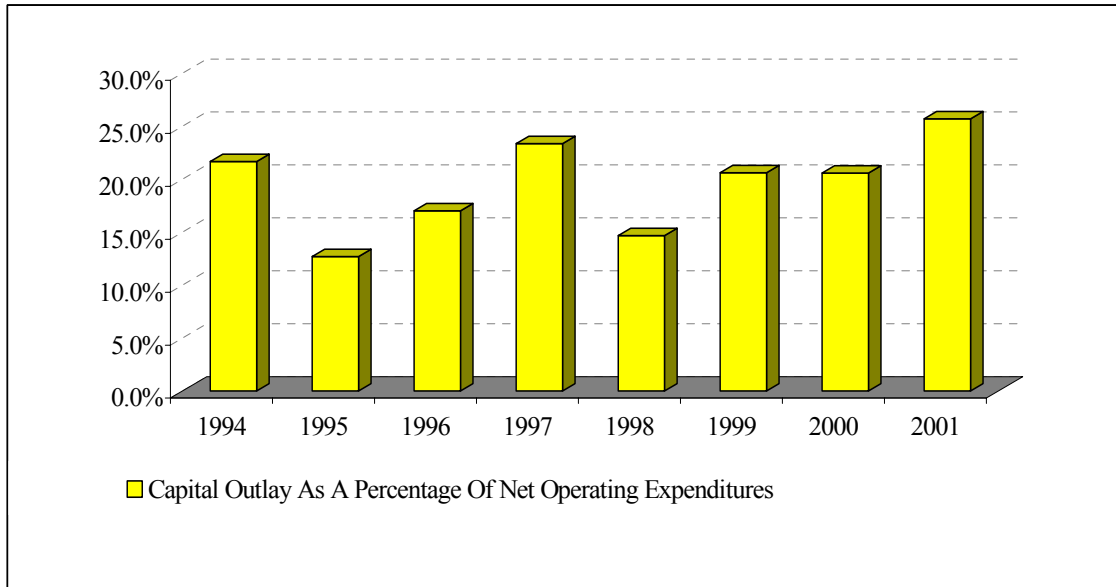
WARNING TREND: A three or more year decline in capital outlay from operating funds as a percentage of net operating expenditures.

FORMULA:
$$\frac{\text{Capital Outlay from Operating Funds}}{\text{Net Operating Expenditures}}$$

DESCRIPTION: Expenditures for operating equipment, drawn from the operating budget, are usually referred to as capital outlay. Trucks and typewriters are examples. Capital outlay includes items that will last longer than one year and have a minimum initial cost, such as five hundred dollars. The purpose of capital outlay in the operating budget is to replace worn equipment or to add new equipment. The ratio of capital outlay to net operating expenditures is an indication of whether the stock of equipment is being adequately replaced. A decrease in the ratio of capital outlay to operating expenditures in the short-run (one to three years) may mean that the local government's needs are temporarily satisfied. A decline that persists over three or more years can indicate that capital outlay needs are being deferred which can result in the use of obsolete and inefficient equipment.

ANALYSIS: Bedford's capital outlay as percentage of net operating expenditures fluctuated on an upward path over the time period, increasing 102.3 percent since 1995. The annual rate floated between a low of 12.7 percent and a high of 25.7 percent in 2001, with five of the eight years above 20 percent of net operating expenditures. Throughout the period, Bedford's capital outlays in nominal dollars increased by 84.2 percent while net operating expenditures increased by 55.4 percent.

CAPITAL OUTLAY



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Capital Outlay	\$2,606	\$1,735	\$2,194	\$2,864	\$2,146	\$2,729	\$3,308	\$4,801
Net Operating Expenditures	\$12,019	\$13,655	\$12,895	\$12,254	\$14,626	\$13,240	\$16,064	\$18,684
Capital Outlay As A Percentage Of Net Operating Expenditures	21.7%	12.7%	17.0%	23.4%	14.7%	20.6%	20.6%	25.7%

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #22

Maintenance Effort

WARNING TREND: Declining expenditures for maintenance of general fixed assets per unit of asset (in constant dollars).

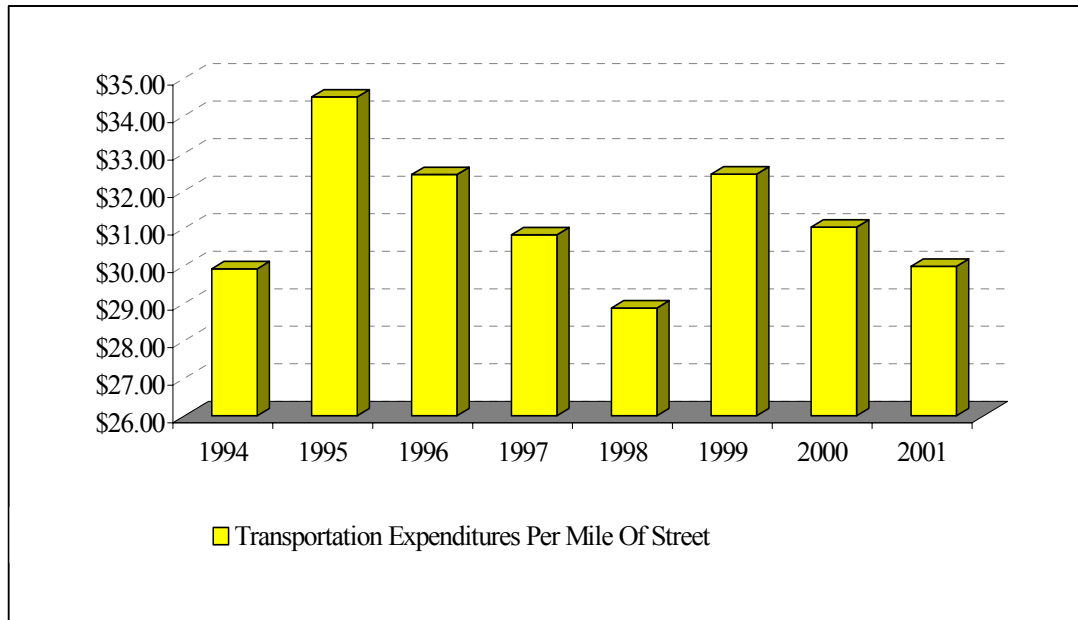
FORMULA:
$$\frac{\text{Annual Transportation Expenditures}}{\text{Street Miles}}$$

DESCRIPTION: Assets with long useful lives such as streets, sidewalks, sewers and bridges are costly investments. Their disrepair can have a broad impact on business activity, property value and annual maintenance and operating expenditures. Deferring maintenance on these assets can create significant unfunded liabilities.

Generally, maintenance expenditures should remain fairly stable (in constant dollars) relative to the amount and nature of the assets. A declining ratio between maintenance expenditures and size of the stock of assets could indicate a deteriorating stock of assets.

ANALYSIS: Maintenance effort per mile of street fluctuated in a small range over the period, between \$28.87 and \$34.49 (averaging \$31.20). Transportation expenses in constant dollars remained stable throughout the period.

MAINTENANCE EFFORT



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Transportation Expenditures	\$1,436	\$1,702	\$1,647	\$1,602	\$1,524	\$1,750	\$1,730	\$1,719
Consumer Price Index	100.00	102.80	105.82	108.29	109.97	112.39	116.17	119.45
Transportation Expenditures (constant dollars)	\$1,436	\$1,656	\$1,556	\$1,479	\$1,386	\$1,557	\$1,489	\$1,439
Miles of Streets	48	48	48	48	48	48	48	48
Transportation Expenditures Per Mile Of Street	\$29.92	\$34.49	\$32.43	\$30.82	\$28.87	\$32.44	\$31.02	\$29.98

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

COMMUNITY RESOURCES INDICATORS

- 23) Population
- 24) Change in Assessed Value
- 25) Residential Development
- 26) Business Activity
- 27) Income Tax Per Capita
- 28) Debt Per Capita

SUMMARY OF COMMUNITY RESOURCE INDICATORS

The community indicators for Bedford are positive, with the social indicators: including population; economic indicators: property values, residential development, business activity, income tax yield per capita, and debt per capita are stable or increasing in (positive) value.

Bedford's population was relatively stable throughout the period, experiencing a marginal decline overall. Assessed valuation (AV) in constant dollars increased nearly 23.7 percent, while residential development as a percentage of total development averaged over 26 percent per year. The market value of commercial property increased 24.6 percent over the period and over \$5.8 million per year. Income tax yield per capita increased by 49 percent. Debt per capita is in a low to moderate range and significantly below the national median.

INDICATOR #23

Population

WARNING TREND: A decreasing growth rate or sudden increase in population.

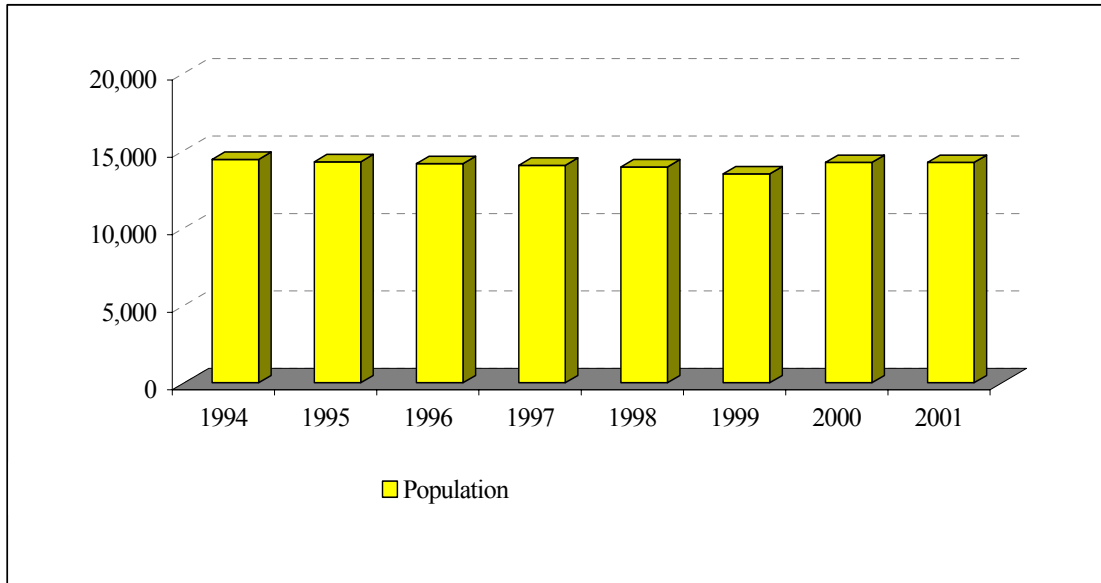
FORMULA: Population of the City

DESCRIPTION: Increases or decreases in a city's population may be cause for concern. Either change in population of the city may impact on the city's revenue and/or expenditures and on the demands for municipal services. If the population changes, income levels, employment levels, and property values may be affected.

Many problems are associated with a decline in population. First, many costs, such as debt service pensions, and governmental mandates, are fixed and cannot be reduced in the short run. Second, if the out-migration is comprised of middle- and upper-income individuals, then those remaining are more likely to be of lower-income status or the aged. These groups depend more heavily on governmental service and generate less income to finance this service.

ANALYSIS: The population of Bedford has experienced a marginal decline of 4.1 percent (or 608 residents) between 1990 and 2001.

POPULATION



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
Population	14,410	14,261	14,138	14,034	13,930	13,478	14,214	14,214

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #24

Assessed Valuation

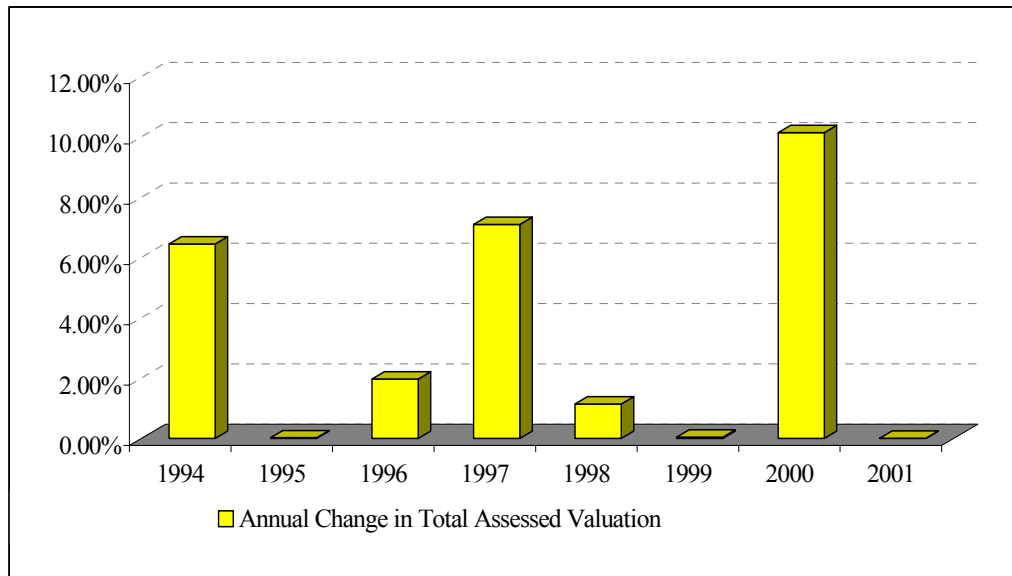
WARNING TREND: Declining growth or drop in the assessed or taxable value of real and personal (residential commercial, or industrial) property.

FORMULA:
$$\frac{\text{Change in Assessed Value}}{\text{Assessed Value of Prior Year}}$$

DESCRIPTION: Changes in a city's property values are important since most local governments depend on property taxes for a substantial portion of their revenues. A city's assessed valuation is a measurement of the property or community wealth of the area. Assessed valuation serves as the equivalent of collateral on General obligation bonds issues, as a measurement of the city's ability to repay the debt. A reduction in assessed valuation is normally seen in declining areas. The effect of declining property values on overall government revenues will depend, in part, on the government's reliance on property taxes as a revenue source. Any decrease in a revenue source though, will place added pressure on other revenue sources.

ANALYSIS: The assessed value of Bedford's real and personal property increased 23.7 percent over the time period (or 2.4 percent per year). The City experienced a 35.5 percent increase in AV over the 1991 – 2001 period.

ASSESSED VALUATION



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Total Assessed Valuation of Real and Personal	\$222,504	\$222,556	\$227,030	\$244,372	\$247,195	\$247,311	\$275,223	\$275,249
Change in Property Value	\$14,352	\$52	\$4,474	\$17,341	\$2,823	\$116	\$27,912	\$26
Annual Change in Total Assessed Valuation	6.45%	0.02%	1.97%	7.10%	1.14%	0.05%	10.14%	0.01%

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #25

Residential Development

WARNING TREND: Increasing market value of residential development as a percentage of market value of total development.

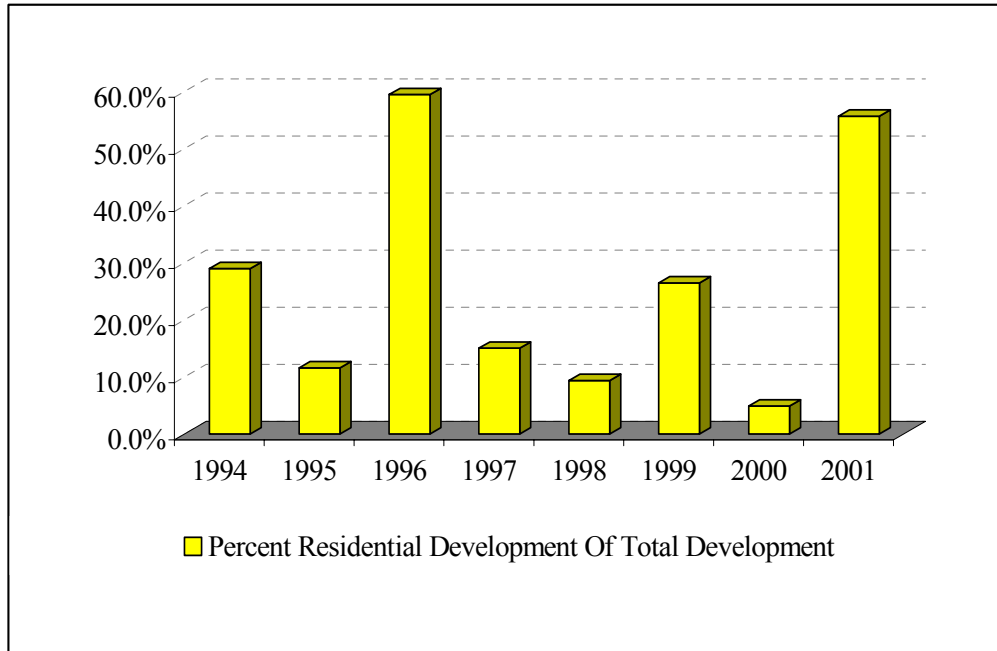
FORMULA:
$$\frac{\text{Market Value of New Residential}}{\text{Market value of total development}}$$

DESCRIPTION: The net cost of serving residential development is normally higher than the net cost of serving commercial development. This is because residential development usually creates more expenditure demands than revenue receipts due to higher service areas. Industrial development normally creates revenue surpluses, while commercial development typically pays for itself. There are exceptions to these rules, such as tax abatement arrangements, but if they hold true, a municipality would desire to have sufficient industrial development to offset the cost of new residential development.

The development indicator compares the property value of new residential development to the total value of all new development. The total value of development is used instead of assessed value, because residential property is typically assessed at different rates than other types of properties.

ANALYSIS: New residential development in Bedford averaged over 26 percent of total new development over the 8-year period. Over the period Bedford added over \$2.3 million in new residential stock to the city's inventory. The residential proportion to total development fluctuated between a high of 55.64 percent in 2001 and a low of 4.9 percent in 2000.

RESIDENTIAL DEVELOPMENT



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Market Value of Residential Development	\$33	\$176	\$429	\$255	\$326	\$479	\$135	\$489
Market Value Of Total New Development	\$114	\$1,523	\$722	\$1,699	\$3,490	\$1,812	\$2,771	\$879
Percent Residential Development Of Total Development	28.9%	11.6%	59.4%	15.0%	9.3%	26.4%	4.9%	55.6%

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #26

Business Activity

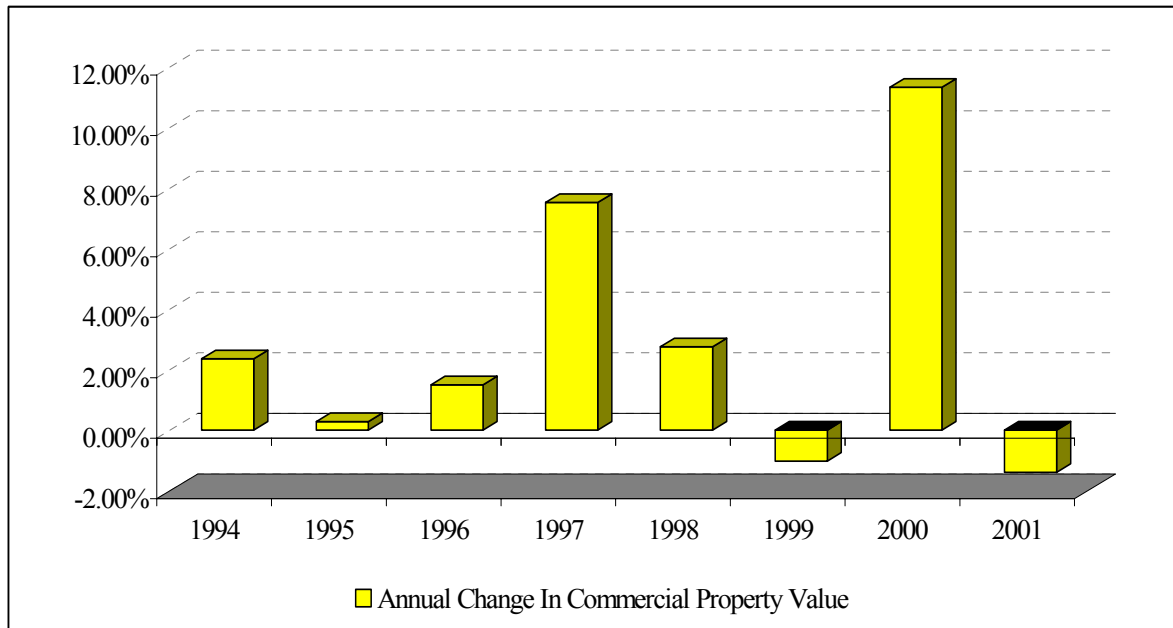
WARNING TREND: Decline in business activity as measured by retail sales, number of business units, gross business receipts, number of acres devoted to business, and market or assessed value of business property (constant dollars where appropriate).

FORMULA: The Sum of the Assessed value of Commercial and Industrial Property and the Value of New Commercial and Industrial Construction.

DESCRIPTION: The level of business activity affects a local government's financial condition in two ways. First, it directly affects any revenue yields that are a product of business activity, such as those from sales or gross receipt taxes. Second, it has indirect influences. These include changes in business activity, which in turn effects demographic and economic areas such as personal income, property value, and the employment base. Changes in business activity also tend to have cumulative effects. A decline in business activity can, for example, harm a community's employment base, income and property value, which can in turn create a further decline in business activity.

ANALYSIS: Bedford's market value of commercial property has fluctuated throughout the period, while increasing 24.6 percent (or 3.1 percent per year). The market value of Bedford's commercial property increased by \$46.1 million over the 8-year period, with an annual average of investment of \$5.8 million.

BUSINESS ACTIVITY



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Market Value Of Commercial Property	\$187,529	\$188,054	\$190,911	\$206,423	\$212,260	\$210,103	\$236,937	\$233,666
Increase in Commercial Property Value	\$4,412	\$525	\$2,857	\$15,512	\$5,837	(\$2,157)	\$26,834	(\$3,271)
Annual Change In Commercial Property Value	2.35%	0.28%	1.50%	7.51%	2.75%	-1.03%	11.33%	-1.40%

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #27

Income Tax Per Capita

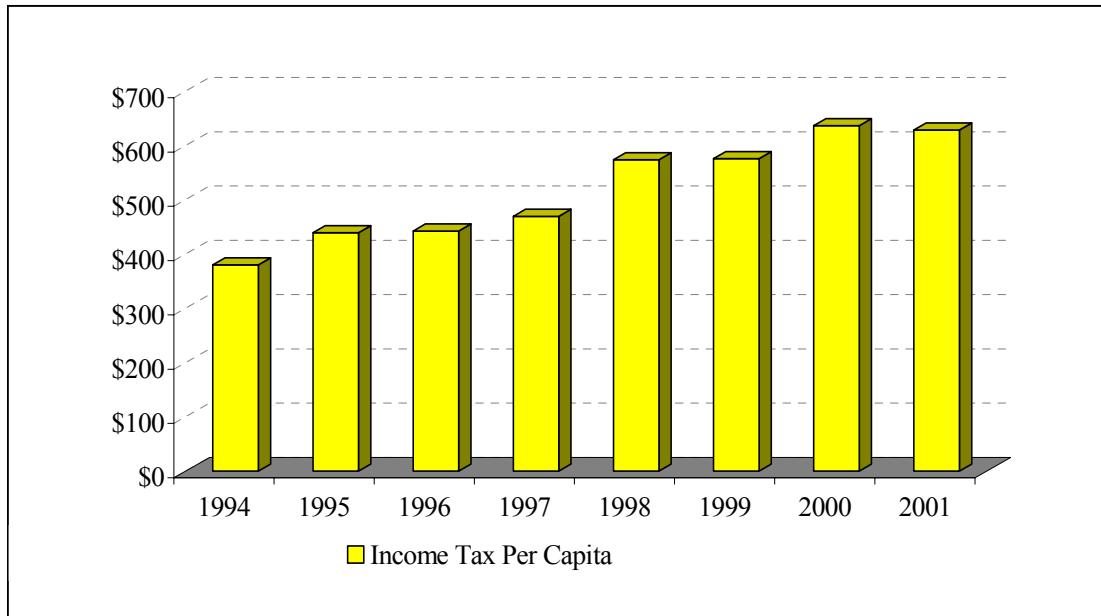
WARNING TREND: Decline in per capita income tax yield.

FORMULA: The yield of income taxes divided by the population size.

DESCRIPTION: The level of income tax yield helps define a local government's financial and economic condition in three ways. First, it defines the volume of the largest single revenue source for the city. Second, it defines the level of employment in the city (a large volume of the municipal income tax is paid by individuals who work in the city, while residing outside of the city. Third, its is a measure of both the city's economic base and also as an alternative measure of wealth of the community. The per capita measurement gives a sense of proportion to the size of the city. A declining trend in per capita income taxes could mean a declining employment base of the city or declining wages within the city.

ANALYSIS: Income tax per capita increased 49 percent (or 6.1 percent per year) over the eight-year period, from \$380 to \$565. Nominal income tax revenue increased 46 percent while the population dropped marginally.

INCOME TAX PER CAPITA



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Income Tax Revenue	\$5,479	\$6,265	\$6,256	\$6,588	\$7,993	\$7,760	\$9,049	\$8,936
Population	14,410	14,261	14,138	14,034	13,930	13,478	14,214	14,214
Income Tax Per Capita	\$380	\$439	\$442	\$469	\$574	\$576	\$637	\$629

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

INDICATOR #28

Debt Per Capita

WARNING TREND: Long-term and significant increases in the level of debt per capita.

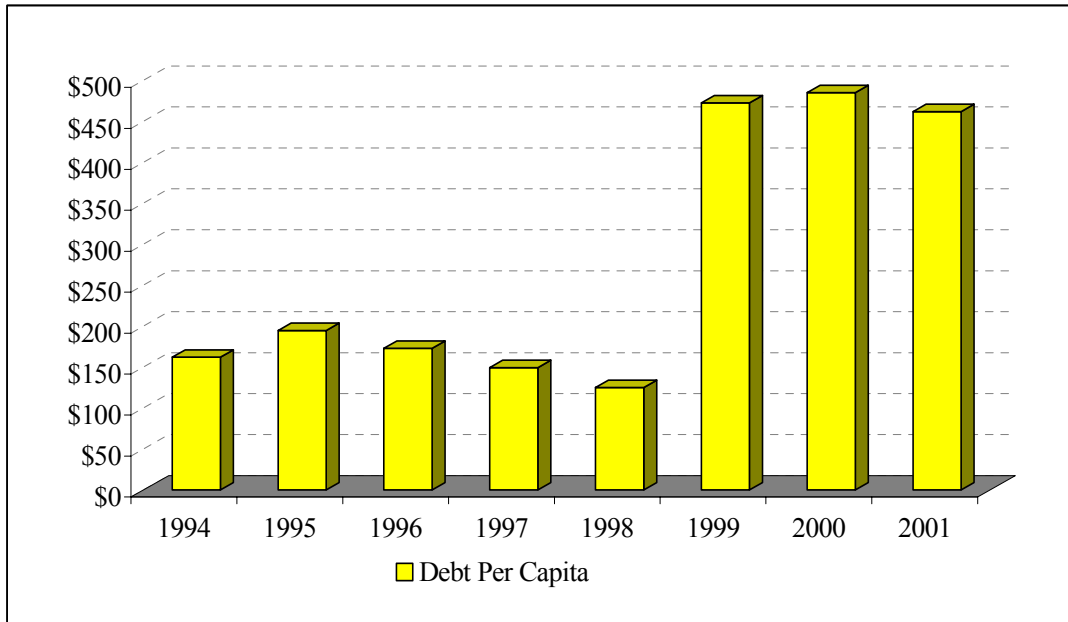
FORMULA: Long-term general obligation debt divided by the municipal population.

DESCRIPTION: The level of long-term general obligation debt per capita is an important measure of a community's level of capital investment and fiscal stability. The use of long-term general obligation debt is associated with re-investment in a city's capital stock. A long-term trend of high levels of debt per capita may indicate a strain on the city.

ANALYSIS: Bedford's (level of) debt per capita fluctuated in a low to moderate range from 1994 through 1998, from \$125 to \$195. In 1999, Bedford issued \$5 million in General Obligation bonds (to partially) fund the construction of a new municipal building. The bond sale increased the level of debt per capita, to \$472, \$485 and \$462, in 1999, 2000, and 2001 respectively.

The 1997, Moody's net debt per capita national median for cities between 10,000 and 24,999 in population was \$811, significantly above that of Bedford.

DEBT PER CAPITA



Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001
<i>(dollars in thousands)</i>								
Net Direct Bonded Long Term Debt	\$2,335	\$2,777	\$2,445	\$2,097	\$1,740	\$6,368	\$6,894	\$6,566
Population	14,410	14,261	14,138	14,034	13,930	13,478	14,214	14,214
Debt Per Capita	\$162	\$195	\$173	\$149	\$125	\$472	\$485	\$462

Source: Comprehensive and Annual Financial Reports for the City of Bedford, 1994 to 2001

